

The Incorporated Accountants' Journal

The Official Organ of The Society of Incorporated Accountants and Auditors

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became effective on April 1st, 1937, Sir Stephen was elected the first President of the combined body.

During the year the membership of the Institute increased by 3,890, of which 3,626 represent the members transferred from the Incorporated Secretaries Association. The total membership of the Institute is now 11,445, consisting of 3,556 Fellows and 7,889 Associates.

In connection with a recent case before the Liverpool Assizes in which an official of a Benefit Society was sentenced to penal servitude for defalcations, laxity on the part of the auditors was alleged to have left undetected certain forgeries by which the fraud was committed, and Mr. Justice Singleton said: "It would be much better if all audits of this kind were carried out by professional men rather than left to their own members, who perhaps do not know how to audit."

We understand that a test case will come before the Special Commissioners at an early date involving the question of the capitalisation of ground rents in certain circumstances for the purpose of Income Tax assessments. The case is being sponsored by the Ground Rents (Taxation) Defence Committee of the House-Builders Association of Great Britain, and is stated to have some similarity to the case of *Emery v. Commissioners of Inland Revenue*, decided by the House of Lords last year.

The Report of the Board of Trade on Bankruptcy and Deeds of Arrangement for the year 1936 shows that the amount of insolvency was smaller in that year than in any of the previous ten years, both as regards the number of cases and the estimated liabilities. This applies both in the case of bankruptcies and deeds of arrange-

Professional Notes.

WE publish in this issue a lecture on the Finance Act, 1937, delivered to the Incorporated Accountants' Students' Society of London last month by Mr. W. J. Back, A.S.A.A. The lecture deals with some important aspects of the Act, including the provisions relating to National Defence Contribution. Mr. Back throws a good deal of light on some features of the Act which might easily be overlooked, and a perusal of the lecture will be well repaid.

The Annual Report of the Chartered Institute of Secretaries for the year ended August 31st last presents some special features. The outstanding event of the year was the completion of the fusion of the Institute and the Incorporated Secretaries' Association. This was brought about largely through the instrumentality of Sir Stephen Killik, F.S.A.A., when he was Lord Mayor of London in 1935, and when the fusion

ment. Under the former the number of receiving orders was 3,249, with estimated liabilities of £4,793,000, as against 3,523 receiving orders in the preceding year with estimated liabilities of £5,811,000. The number of deeds of arrangement was 1,598, with estimated liabilities of £2,701,000, compared with 1,635 deeds in the year 1935 with estimated liabilities of £5,165,000. There was thus a total decrease of estimated liabilities under the two heads of no less than £3,482,000.

In Scotland the sequestrations numbered 153 with liabilities of £352,000. This represents an increase of liabilities over the preceding year of about £20,000, the number of cases being practically the same.

The facts reported against bankrupts by Official Receivers in connection with applications for discharge came mainly under three heads: (1) that the bankrupt's assets were not of a value equal to 10s. in the £1 of his unsecured liabilities, 1,227 cases; (2) that the bankrupt had omitted to keep proper books of account, 694 cases; (3) that the bankrupt had continued to trade after knowing himself to be insolvent, 698 cases. These together account for 2,619 out of a total of 3,296 applications which were disposed of during the year.

The trades and occupations in which the largest number of failures took place were: builders 511, grocers 332, and farmers and graziers 215. The total liabilities in the case of builders were as much as £1,180,000. The liabilities of Directors and Promoters of Public Companies reached the large figure of £421,000, although the number of cases was 82 only—a smaller number than many of the other groups whose liabilities were less.

The case of *Inland Revenue Commissioners v. Gull*, heard by Mr. Justice Lawrence in the King's Bench Division, raised the question whether exemption from Income Tax granted to income of a charitable body by sect. 37 of the Income Tax Act, 1918, extended to the income of charities wholly established and administered abroad. His Lordship held that the exemption applied only to the income of bodies of persons or trusts established in the United Kingdom. In the case under consideration the testator was domiciled in Canada, but had certain property in England. Two of the original trustees were resident in the United Kingdom; one of them was still resident there and the claim to exemption was made by him in respect of income of the trust received by him in the United Kingdom. In

these circumstances his Lordship held that the trust was established in the United Kingdom and that the exemption provided for by the section referred to applied to income received by the trustees in the United Kingdom.

The well-known firm of Tattersalls have a rule that no money in respect of the sales which take place at their auctions is paid out except against a written order. Owing to the fact that such orders were not always received, unclaimed balances accumulated over a period in the hands of the firm and transfers of part of these balances were made from time to time to the accounts of the partners. The Inland Revenue Authorities sought to include the amounts so transferred as trading receipts liable to income tax. The firm contended that the unclaimed balances still represented liabilities as it was their invariable custom to discharge any balances when claimed irrespective of the Statutes of Limitation which it was argued did not apply to such balances.

On the other hand, it was claimed by the Inland Revenue that these receipts arose by reason of the trading, that they became liable to income tax as and when they ceased to be effective liabilities and that in any case the claims were merely contingent. After reviewing the cases which had been cited Mr. Justice Lawrence held that the sums transferred to the partners were liable to be treated as trading receipts and said that the liability to income tax thereon was in accordance with the decision in the case of the *Commissioners of Taxes v. Melbourne Trust, Limited*. He accordingly gave judgment in favour of the Crown.

An interesting point in connection with the exemption from Stamp Duty conferred by section 55 of the Finance Act, 1927, on the transfer of shares to a company with a view to the acquisition by that company of not less than 90 per cent. of the shares of another company, was decided in the case of *Lever Brothers Limited v. Inland Revenue Commissioners*. The plaintiff company had acquired by purchase in 1919 about 40 per cent. of the shares of another company. In 1936 they entered into an arrangement whereby they acquired altogether more than 90 per cent. of the share capital and claimed the benefit of section 55, but this was refused by the Commissioners and the company appealed. It has been held that the decision of the Commissioners was correct, on the ground that the conditions of section 55 had not been fulfilled, inasmuch as in order to comply with that section the increase of capital of the plaintiff company

must be for the purpose of acquiring not less than 90 per cent. of the share capital of the other company, whereas in fact the consideration for the acquisition of 40 per cent. of such shares was cash and not shares.

In normal circumstances it is not the usual practice to make any apportionment between a life tenant and a remainderman upon a change in the investments comprised in a trust in respect of the accrued dividend included in the price. This practice is based upon a number of decisions in the Courts, the best known of which are probably *Bulkeley v. Stephens* and *Scholefield v. Redfern*, it being considered that any advantages to be derived from making apportionments would be more than outweighed by the complexities of so doing. Steps could, of course, be taken to prevent any action by the Trustees intentionally directed to the detriment of any particular beneficiary, as this would constitute a breach of trust. Some doubt is thrown on this practice, however, by the recent case of *In re Winter-stoke's Will Trusts—Gunn v. Richardson*—where an application was made by the trustees for the directions of the Court.

In the case referred to the testator had left the residue of his estate in trust for two life tenants in equal shares. On the death of one of them estate duty became payable and to provide for this certain investments were sold cum dividend, with the result that no dividends on such investments were actually received by the trustees. The executors of the deceased life tenant claimed from the trustees a sum of about £2,000 representing the apportionments of the dividends on the investments so realised from the date of the last dividend up to the date of her death, and Mr. Justice Clauson has held that no breach of trust would be committed by the trustees in acceding to this claim as it was merely carrying out the expressed intentions of the testator. It will be observed that in this case there was no reinvestment.

Another case which came before Mr. Justice Clauson related to the interpretation of a will leaving an estate to be "divided amongst all my relations." Prior to 1925 the meaning of "relations" was governed by the decision in the case of *Widmore v. Woodroffe*, where it was held that it meant those persons entitled to take under the Statute of Distributions. It has now been held in the case of *Re Bridgen; Chaytor v. Edwin*, that as the result of the passing of the Administration of Estates Act, the term "relations" means those persons who would be entitled to

take under an intestacy in accordance with Part IV of that Act. The persons entitled to benefit under the will having thus been determined, the extent of their rights and interests will still be governed by the terms of the will.

THE AMERICAN INSTITUTE OF ACCOUNTANTS.

To be caught in the stream of American life, even for a short time, is a delightful experience which few would miss. It is hardly surprising that the returned visitor is tempted to write his impressions, and in this case to express the thoughts of those who were bidden as welcome guests to the Fiftieth Anniversary Celebrations of the American Institute of Accountants, recently held in New York. Their acceptance of the cordial invitation was in the spirit of rejoicing with those who rejoice, and in the desire to renew old and to seek new friendships. Indeed, they were not disappointed. The reception by the President, Colonel Robert Montgomery, by the Chairman of the Executive Committee, Mr. P. W. R. Glover, and by all the members of the Institute, has left a memorable impression of hospitality, goodwill, and kindness.

It was a tremendous task on the part of the Executive Committee and the Secretary, Mr. John L. Carey, to make arrangements for the accommodation and entertainment of over 2,000 members and guests, including some 60 visitors from abroad. They had enlisted the willing co-operation of a Ladies' Committee, and a number of members of the profession in New York. By delegation and team work, the organisation was infused with a happy personal spirit. An individual host and hostess were provided for each of the visitors from abroad. The arrangements were set forth in a small loose-leaf handbook neatly bound in blue leather, but it was hardly possible for visitors to carry out completely the ample programme of meetings and entertainments which the Executive Committee had organised. Perhaps their more serious inclinations were somewhat diverted by the boundless hospitality afforded them both at official functions and by their generous individual hosts. If the occasion were mainly one of celebration, no one could fail to be conscious of the impression which the accountancy profession has made in the course of half a century upon the public and commercial life of the United States of America. Those fifty years of rapidly increasing population had been characterised by restless progress and by problems which had sometimes demanded drastic solutions.

At the opening session, over which Colonel

Robert Montgomery, C.P.A., so genially presided, a message of greeting was read from President Franklin Roosevelt. Mr. P. W. R. Glover, C.P.A., F.S.A.A., Chairman of the Executive Committee, delivered an informative address of welcome which lost nothing in cordiality by its brevity. Mr. Glover traced the history of accountancy in the United States. The American Association of Public Accountants, founded in 1887, changed its name to the American Institute of Accountants in 1916, and finally in 1936 there was merged with it the American Society of Certified Public Accountants. Thus, subject to the effect of C.P.A. laws in each State, the accountancy profession in the United States is under unified control. In each of the 48 States of the Union there is a law regulating the admission of those who seek the qualification of Certified Public Accountant (C.P.A.). But if the group of C.P.A.'s is more extensive than, although in a substantial measure co-incident with, the membership of the American Institute of Accountants, the development of professional standards, the promotion of professional education, and the relations of the accountancy profession with the public are in the hands of the American Institute.

Replies to the Address of Welcome were given by the heads of delegations. Mr. E. Van Dien, F.S.A.A. (Holland) recalled the Congress on Accounting held at St. Louis in 1904, which marked the beginning of that international exchange of ideas among members of the profession, which has become a characteristic of the present generation. The speech of Mr. Roger Carter, F.C.A., a Past President of the English Institute, dealt with phases of professional problems in Great Britain and in the United States of America, while the reply of Mr. Walter Holman, F.S.A.A., President of the Society, was of a complimentary and felicitous character.

In his Presidential Address, Colonel Montgomery adumbrated a philosophy for the accountancy profession, and the address was marked by literary flavour, pungent epigram, and eloquent language. Colonel Montgomery paid a graceful tribute to the leaders of the profession in the United States of America and in Great Britain—to their determination, courage, and independence, in the search for facts, and the statement of the truth. The position of accountants carrying on public practice as we understand it to-day is based upon their independence and their power to exercise judgment as a personal responsibility. Loss of independence would inevitably be followed by deterioration in the profession.

It is not possible to review the considerable number of topics covered by the Presidential Address, but that part of the speech relating to

the protection of investors calls for consideration. The average investor did not receive much sympathy from Colonel Montgomery. He longs to be protected to a greater degree than is ever practicable; according to Colonel Montgomery, he hopes to buy low and sell high, and seldom reads a balance sheet or an auditor's certificate. The term "investor" is no doubt elastic, but does it quite correspond with Colonel Montgomery's graphic description? Even the prudent investor may not always peruse published accounts with the care they demand; but responsible experts—stockbrokers, bankers, financial editors and investment advisers—study and analyse these accounts, and place at the disposal of their clients information upon which investors may form a reasoned judgment. Colonel Montgomery said that professional accountants, finding facts and telling the truth about accounts, could never protect the investor as he expected to be protected. Nevertheless that was their duty, and they must carry it out unflinchingly. The Securities Act and Securities Exchange Act, and the operations of the Securities and Exchange Commission, had helped investors considerably. It is not possible in this review to assess the work of the Securities and Exchange Commission, which evidently supplies an American need, but some of its activities have met with a good deal of criticism on the other side as being an undue interference with legitimate business.

There are many burning questions in the United States at the present time. Several of them involve considerations outside the realm of accountancy and it might be unseemly for visitors to comment. The present Tax upon Undistributed Profits of Companies is causing much apprehension in business and industrial circles, and is exercising considerably the minds of professional accountants in the United States.

In concluding his address, Colonel Montgomery was unrepentant in his view that the profession should stand still. He feared lest too rapid change in a dynamic society might easily shift the foundation of independence, courage, and character, which was the only basis upon which the accountancy profession could flourish and progress.

A number of other papers were contributed. Two of them appeared in our last issue and a full report of the whole proceedings will be published in due course by the American Institute. An interesting item was the visit to the School of Business at Columbia University over which Professor Roy B. Kester presides. The methods in the Department of Accounting were worthy of a closer study than time permitted. The auditing laboratory for more junior students is a useful

and practical experiment which it is understood has also been introduced in Edinburgh University. Encouragement is given to students to carry on research work in regard to questions connected with the accountancy profession. Some of these efforts, whether at Columbia University, the Harvard School of Business Administration, or elsewhere, receive the co-operation of, and some financial support from industrial and business groups. It seems that such individual or group research is mainly conducted at the Universities. As regards activities on the part of the American Institute of Accountants, which might be classed as Research, these are mainly directed to *ad hoc* problems affecting the whole profession, such, for example, as the problem of nomenclature now under consideration.

The banquet with which the proceedings concluded, when Mr. Clem Collins, C.P.A. (Colorado), the newly-elected President, took the chair, was an enjoyable and festive occasion, and about 1,600 people participated. Formal toasts were few, and Mr. H. L. Hill, F.C.A., in a charming speech, expressed to the hosts the appreciation of all the visitors from other countries of the hospitality they had received, and the happiness they had experienced during a memorable visit to New York.

The organisation of the accountancy profession in each country must be viewed on its merits in relation to the law, business customs and outlook of the nation which it attempts to serve. Accountancy may be a comparatively young profession, but in each country its background has been influenced by historical and economic circumstances. Distances and the wide distribution of its members place upon the American Institute of Accountants a special problem of organisation. The American Institute has maintained a high professional standard, and has won for itself the loyalty of men who carry on practice separated by long distances. The presence of members from distant parts of the United States at the recent celebrations in New York was eloquent testimony to this commendable aspect of the Institute's life.

A reference should be made to the publication work under the ægis of the American Institute. Some of the handbooks published have special interest; the Accountants' Index is a monumental work, embodying much patient labour, and our own contemporary, *The Journal of Accountancy*, is read with interest in this country, particularly by those who have had contacts with the profession in the United States of America.

Opportunity was afforded to visitors to inspect some of the magnificent highways which lead out of New York City, and the more recent examples

of American organisation and architecture—the Rockefeller Centre and the Empire State Building. In more private ways, several of the visitors learned something, if only a little, of business and industrial organisation in the Eastern States, in regard to which information was readily afforded and facilities for first-hand inspection were willingly given.

Those who have been the privileged guests of the American Institute of Accountants left the United States with a new range of experience, a larger measure of understanding and regard, and the consciousness of a debt of gratitude.

UNIT TRUST VARIATIONS.

To the established varieties of "Fixed" and "Flexible" there have recently been added "Conversion" and "Re-Investment" trusts. Indeed, if allowance is made for the differences in form covered by the second of the types, one may well wonder whether the choice of the investor is not now nearly as complicated in unit investing as in the whole range of Stock Exchange securities. Some comments upon the various classes may, therefore, be useful.

The original, or Fixed, trust is by now well understood. Its basic idea was the spread of small sums, through the pooling method, over a pre-determined and invariable list of investments. The purchaser knew exactly how his money was to be expended, and obtained a stated fractional interest in each of a number of given concerns. He could follow the progress of the companies in question knowing that he had a certain share in their fortunes and he could, if he cared to take the trouble, compile his own record of the fluctuations in his composite holding. There were, as accountants were amongst the first to point out, certain dangers in the system, but these were largely irrelevant to that principle of fixity which earned the new movement its name in 1931. Moreover, as results both in capital appreciation and income yield showed, the progress attained by these trusts was eminently satisfactory. What cost the original purchaser £100 in the first year or two of the system had become worth £164, £144, £131 and so on by the beginning of 1937. Little wonder that the movement earned remarkable popularity—nothing succeeds like success. Moreover, the bull markets of 1933 gave it a particular impetus, for they encouraged the small investor, for whom the trusts were primarily designed, to try his luck.

It was in this favourable atmosphere that the first deviation from absolute fixity was made. Instead of purchasing securities which repre-

sented a cross cut of the whole stock exchange, specialization was tried, and to offset the admitted disadvantages of concentrating upon a single industry, a panel of companies, all within it, was compiled, in any of which the managers of the trust were authorised to place the investor's funds. The flexibility thus provided was limited, but real. The managers' powers of variation were hedged by restrictions, but existed. Progress from this stage was rapid. Flexible trusts, giving to those who controlled them an ever-widening power of choice regarding the underlying securities and the circumstances under which they could be varied within the constantly extending published lists, appeared with remarkable rapidity. Combined with specialization, this provided every conceivable variation without finally departing from the published panel or the specified industry. It led even to the creation of trusts whose major concern was not the stability of the yield once thought so important, but the appreciation of capital. It assured the investor the widest choice in the character of his holding. It covered, even, excursions into the admittedly speculative sections of the Stock Exchange. Flexibility had, indeed, come to be the accepted principle of unit trusts, almost completely displacing fixity. Management had assumed the responsibility not merely of safeguarding capital, but of ensuring that, as times changed, the greatest possible benefit enured to the holder, and the term "managed trusts" was born. Even so, however, flexibility did not denote absolute freedom. The managers deliberately limited their powers—although widely—and the original conception of trust investing still persisted to that extent. It cannot be said that the newer development secured an equal support amongst the public. Nevertheless, the movement continued rapidly to expand and, to the date mentioned, January, 1937, those who purchased saw a very satisfactory appreciation in their holdings. Equally, dividends proved adequate to encourage new buyers. That sometimes these included sums more correctly representative of capital appreciation did not seem to deter those who had money to invest. The point was a technicality and concerned the accountant rather than the investor. Whether fixed or flexible, specialized or widespread the unit trust had established itself as a popular medium for sharing in the ample yield (arising partly from capital appreciation) available to those who, in the growing prosperity, operated on the Stock Exchange.

Prosperity does not, however, continue unchecked for ever. By the early spring of the present year that fact had become evident in the

quotations for securities. Buying was less active, prices were marked down and the bear found opportunities for his depressing operations. To compile, in such circumstances, even a lengthy panel of investments which might be expected soon to appreciate became extremely difficult. Those already compiled reflected the general tendency, and the wide powers managers of unit trusts then possessed were insufficient to stand against the falling markets. By July the General Index for all unit trusts maintained by "Branch Banking" had fallen 12.5 points below its January record. The fact was that successful operating on the Stock Exchange had become a highly complicated business, demanding the exercise of the greatest selectivity and discrimination. Managers recognised that the days of automatic progress had passed. They sought, or to be more precise, certain of them sought, not merely wider powers, but complete discretion. Their method was proportionately drastic.

It led to the introduction of the conversion and re-investment trust. The principle in regard to each was synonymous, but represented the very antithesis of that formerly associated with unit trust investing. These new kinds of trusts were opened to existing holders in earlier flexible ones, the option being to convert "units" in the one for "shares" in the other. The shares so offered represent capital in an investment trust company; they are intended to be dealt in subsequently on the Stock Exchange and to be given an official quotation. The new company is managed by a board of directors whose operations are to be unfettered within the relative Memorandum and Articles. In the main, those operations will be undertaken on behalf of the Trust Company by a parent concern, also incorporated, which will return to the former one half of the usual stockbroking commissions. Upon its establishment the company takes over such proportion of the underlying securities as represent the share in the old trust due to those unit holders who convert, but thereafter its directors may change such investments entirely at their discretion. The aim always before them is, as the offer showed, the safeguarding of the investor's capital, whether or not income suffers in consequence.

Thus, the fixed trust movement has progressed the full circle. What began with absolute fixity has reached absolute freedom. What was intended as an alternative to the much older Investment Trust system, has become almost if not completely its replica.

Whether the old or the new is to be preferred may, at this early stage, be a matter of opinion.

Some points, however, immediately arise. Fixity in continued general prosperity may be practicable. Certainly some discrimination is necessary when rising costs, changing methods, and increased competition exert their unequal influence. Without entering into the technicalities connected with unit trusts generally, it may be admitted that flexibility served better the changing times than complete fixity would have done, especially where capital appreciation was the aim. But is that the general preference of the type of person for whom the new system was designed? The small capitalist has, it will be conceded, a real respect for the principle of fixity. He may desire profits, but he certainly prefers safety. In so far as flexible trusts made for a wider spread they probably served this end. Provided the wider powers they gave to managers were wisely used—and there is no evidence to the contrary—they placed at the disposal of those unversed in investing technique experience and knowledge beyond the standard of the man-in-the-street. They constituted not only a natural development of the original idea, but a necessary one if the movement was to continue its appeal.

Of the latest phase, however, one may feel less satisfied. Admittedly it enables managers to use their experience and skill to the full and to that extent may, in the present difficult times, even further safeguard the investor. But does the holding of ordinary shares in a limited company coincide in the least degree with that protected form of investing upon which the unit trust has hitherto made its appeal? Is the small capitalist, who was thereby chiefly attracted, the right person to have his funds placed unreservedly in the hands of a board of directors, however great their integrity and skill? Are the safeguards found necessary to protect his inexperience in regard to unit trust investing not equally required if he is to purchase investment shares? The ordinary regulations applicable to joint stock companies—and these alone now cover him—would not seem adequate. The points may be amply provided against while the new development is in the hands of such first-class concerns as at present. What the accountant—and the public—should be concerned about is its possible exploitation by an entirely different class.

National Defence Contribution.

The pamphlet on the National Defence Contribution prepared on behalf of the Society of Incorporated Accountants by Mr. A. Stuart Allen, F.S.A.A., and Mr. Bertram Nelson, F.S.A.A., is now for sale at a cost of 1s. per copy (post free 1s. 2d.), and may be had from Incorporated Accountants' Hall, Victoria Embankment, W.C.2.

VISIT OF THE PRESIDENT OF THE SOCIETY TO CANADA.

The constitution of the accountancy profession in the British Dominions is a fascinating and complex study and visits, whether formal or informal, interchanged between members of the profession in the Dominions and those in Great Britain have been contributory to mutual understanding and goodwill.

It is not often that leaders of the accountancy profession in Great Britain have an opportunity of visiting their professional brethren in Canada. The Institute of Chartered Accountants of Ontario, learning of the intended presence of visitors from Great Britain and Ireland at the fiftieth anniversary celebrations of the American Institute of Accountants, organised a dinner in their honour at Toronto, which was held on Monday, October 25th last.

Mr. A. B. Shepard, President of the Ontario Institute, took the chair, and he welcomed to the dinner Mr. H. L. H. Hill, F.C.A., Mr. Arthur Cutforth, C.B.E., F.C.A., Mr. Roger N. Carter, F.C.A., and Mr. R. Wynne Bankes, C.B.E. (past Presidents and Secretary of the Institute of Chartered Accountants of England and Wales), and Mr. Walter Holman, F.S.A.A. (President of the Society of Incorporated Accountants). The ladies of the visitors were delightfully entertained by Mrs. Shepard and a ladies' committee.

The proceedings were marked by much cordiality and friendship and each of the visitors was asked to contribute a speech at the proceedings. The visitors severally expressed their indebtedness to their Canadian friends for the kindly thought which had prompted the invitation and for giving them an opportunity of learning something of the organisation of the profession in Canada.

The accountancy profession in Canada dates back to the year 1879, when the body, which is now the Institute of Chartered Accountants in the Province of Quebec, was founded, the Ontario Institute being established in 1883. In each of the Provinces of Canada a body has been established by Statute. All, through membership of the provincial bodies, thereby become members of the Dominion Association of Chartered Accountants, which was established in the year 1902. Thus, aspirations of loyalty to the province in which each member practises are associated with the ideal of a Canadian accountancy profession.

A feature of the American Institute's recent meeting, particularly agreeable to delegates from Great Britain and Ireland, was the presence of a considerable representation from the accountancy profession in Canada which included Mr. Frank A. Nightingale, President, and Mr. A. H. Carr, Secretary, of the Dominion Association of Chartered Accountants.

The senior among the British Dominions has developed her own institutions with vigour and foresight, and acknowledgment should be made of the facilities extended to British accountants who have sought a professional career in Canada. It is

difficult to comment upon the opportunities for British accountants in Canada, but it may be hoped that the association between Canadian and British accountants, recently strengthened, may be reflected in the number, though necessarily limited, of British accountants seeking a future in the profession in Canada.

The President of the Society of Incorporated Accountants, Mr. Walter Holman, had the pleasure of being received and entertained by the members of the Society's Canadian Committee (established in 1905), Mr. Henry Barber, J.P., F.S.A.A., Toronto, Mr. G. T. Clarkson, F.S.A.A., Toronto, and Mr. A. F. C. Ross, F.S.A.A., Montreal, who has been the Honorary Secretary for a large number of years, and of meeting members of the Society in Toronto and in Montreal. The contacts with the Canadian members were further strengthened by the visits to Montreal of Sir Thomas Keens and Mr. Henry Morgan.

It is fitting to refer to the work of the late Mr. John Hyde in consolidating the accountancy profession in Canada. He was the first President of the Dominion Association of Chartered Accountants and the first Chairman of the Canadian Branch of the Society of Incorporated Accountants. His comparatively recent death removed one to whom the profession in Canada will always remain under a debt of gratitude.

Obituary.

WILLIAM JOHN BENNETT.

We regret to announce the death on November 7th of Mr. William John Bennett, F.S.A.A., of Cardiff, at the age of 82. Mr. Bennett, who was one of the oldest Incorporated Accountants in Wales, was admitted as an Associate of the Society in 1887 and became a Fellow in 1905. He was one of the founders of the South Wales and Monmouthshire District Society, and was elected President in 1905. He took a very active part in the work of that Society and was a highly esteemed member of the Committee until 1935, when he resigned owing to ill-health. He was appointed Chief Accountant of the Taff Vale Railway in 1904, a position which he held until that company was amalgamated with the Great Western Railway in 1922. In 1905 he was appointed to represent the Welsh railways on a Committee of Accountants set up by the Railway Companies Association to consider a statutory form of Railway Accounts. He was also Secretary of the Penarth Pontoon and Ship Repairing Company and was actively connected with the work of the Cardiff Provident Dispensary. His death marks the passing of one to whom the profession in South Wales owes much and his loss will be deeply felt by his many friends in the profession. He is survived by his widow, two daughters, and one son, Mr. John Godfrey Bennett, F.S.A.A.

The funeral was attended by a large number of Mr. Bennett's professional and business friends. The Incorporated Accountants' South Wales and Monmouthshire District Society was represented by Mr. C. T. Stephens (President), Colonel R. C. L. Thomas, Mr. W. J. Pallot, and Mr. J. Pearson-Griffiths (Past Presidents), and Mr. Percy H. Walker (Hon. Secretary).

Society of Incorporated Accountants and Auditors.

COUNCIL MEETINGS.

Thursday, October 28th.

A meeting of the Council of the Society was held on October 28th. There were present:—Mr. E. Cassleton Elliott (in the chair), Mr. A. Stuart Allen, Mr. R. Wilson Bartlett, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. M. J. Faulks, Mr. Bertram Nelson, Mr. Richard A. Witty, and Mr. L. T. Little (Deputy Secretary).

Apologies for non-attendance were received from Mr. Walter Holman (President), Mr. Percy Toothill (Vice-President), Sir Thomas Keens, Mr. Henry Morgan, Mr. R. T. Warwick, all members away from London, and Mr. A. A. Garrett (Secretary).

DEATHS.

The Deputy Secretary reported the deaths of the following members:—Mr. Ernest Harward Barnaschone (Fellow), London; Mr. David Patrick Craigie Blair (Fellow), Johannesburg, South Africa; Mr. Francis Reginald Bridgeland (Associate), Hastings; Mr. Frederick John Cecil Butcher (Associate), Eastbourne; Mr. Herbert Spencer Chadwick (Associate), Manchester; Mr. William Charles Chaffey (Fellow), Greenwich; Mr. Arthur Richard Cunliffe (Associate), Nelson; Mr. Harold John Fry (Associate), Stroud; Mr. Robert Moreland (Associate), Bradford; Mr. John Murcott (Associate), Birkenhead; Mr. Joseph Smith (Fellow), Bradford; Mr. Samuel Henry Solomon (Fellow), Sydney, Australia.

RESIGNATIONS.

The following resignations were accepted with regret as from December 31st, 1937:—Mr. Harold Alwyne Perks (Associate), Leeds; Mr. Horace Johnston Veitch (Fellow), London.

Other routine business was dealt with.

Wednesday, November 17th.

A meeting of the Council of the Society was held on November 17th, when there were present: Mr. Walter Holman (President) in the chair, Mr. Percy Toothill (Vice-President), Mr. F. J. Alban, Mr. A. Stuart Allen, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. J. Paterson Brodie, Mr. Henry J. Burgess, Mr. R. T. Dunlop, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, Mr. A. Hannah, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. Bertram Nelson, Mr. James Paterson, Mr. Joseph Turner, Mr. A. H. Walkey, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary), and Mr. L. T. Little (Deputy Secretary).

Apologies for non-attendance were received from Mr. R. M. Branson, Mr. W. Norman Bubb, Mr. D. E. Campbell, Mr. Arthur Collins, Mr. Tom Coombs, Mr. W. Allison Davies, Sir Thomas Keens, Mr. Edmund Lund, Mr. F. A. Prior, and Mr. Fred Woolley.

AMERICAN INSTITUTE OF ACCOUNTANTS.

A report was received from the President and other members of the Council who were the guests of the American Institute of Accountants on the occasion of the Fiftieth Anniversary Celebrations in October, 1937.

The following resolution, moved by the President, seconded by Mr. C. Hewetson Nelson and supported by Mr. Henry Morgan, was adopted and ordered to be forwarded to the American Institute of Accountants:—

That the cordial thanks of the Council of the Society of Incorporated Accountants be accorded to the President, the Council and Members, and particularly to the Chairman and Members of the Reception Com-

mittee, of the American Institute of Accountants for the generous hospitality extended to the Representatives of the Society upon the occasion of the Fiftieth Anniversary Celebrations. All those who had the honour of being the guests of the American Institute retain happy memories of their visit and express their good wishes for the future development of the American Institute.

PRESIDENT'S VISIT TO CANADA.

The President reported that he had recently visited Montreal and Toronto and had met members of the Society's Canadian Committee and had been cordially welcomed by them.

The Secretary was instructed to communicate with the members of the Society's Canadian Committee to express the thanks of the Council for the kind reception and hospitality extended to the President, Mr. Walter Holman. The President also intimated that with other visitors from Great Britain he was entertained at dinner by the President and members of the Institute of Chartered Accountants of Ontario. The Council adopted the following resolution:—

That the cordial thanks of the Council of the Society of Incorporated Accountants be accorded to the President, Mr. A. B. Shepard, and members of the Institute of Chartered Accountants of Ontario, for the kind hospitality extended to Mr. Walter Holman, President of the Society of Incorporated Accountants, and Mrs. Holman, on the occasion of their visit to Toronto in October, 1937. The Council desire to

record their appreciation of the friendly relations which have existed between the Society of Incorporated Accountants and the Institute of Chartered Accountants of Ontario for a long period of years.

NATIONAL DEFENCE CONTRIBUTION.

The Council received copies of the Society's brochure on the National Defence Contribution prepared at the request of the Council by Mr. A. Stuart Allen and Mr. Bertram Nelson.

The Council passed the following resolution:—

That the Council express their high appreciation of the work of Mr. A. Stuart Allen, F.S.A.A., and Mr. Bertram Nelson, F.S.A.A., as the authors of the pamphlet on the National Defence Contribution, and their thanks for the valuable collaboration of Mr. L. T. Little, B.Sc., and Mr. A. E. Foley. The Council record that the pamphlet has been of service both to the Society as a whole and to individual members.

SOUTH AFRICAN NORTHERN BRANCH, JOHANNESBURG.

The Council confirmed the appointment of Mr. Robert Blacklock Hogg, M.C., F.S.A.A., as Honorary Secretary of the Society's South African Northern Branch, Johannesburg, in succession to the late Mr. D. P. C. Blair.

DEATHS.

The Secretary reported with regret the death of each of the following members:—Mr. William John Bennett (Fellow), Cardiff; Mr. Cecil James Hewer Cowdy (Fellow), London; Mr. Simon Jones (Associate), Oswestry.

INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE.

The Design of Accounts.

Continuing the series of suggested accounts for various business undertakings, we publish this month a design of accounts relating to Building and Estate Development.

These accounts must not be regarded as model accounts but as a basis for criticism. Comments and criticisms will be welcomed and should be addressed to the Secretary of the Research Committee at Incorporated Accountants' Hall.

The Committee is grateful for criticisms received on accounts already published and trusts that readers of *The Incorporated Accountants' Journal* will also send in their comments on the accounts printed below.

BUILDING AND ESTATE DEVELOPMENT ACCOUNTS.

A. LAND ACCOUNT.

| | £ | £ | | £ | £ |
|---|---|---|---|---|---|
| I. COST OF LAND | | — | I. TRANSFERS TO TRADING ACCOUNT, in respect of completed Houses | | — |
| II. LEGAL EXPENSES:— | | | II. SALES OF SITES:— | | |
| Stamp Duties | — | | (a) Shops | — | |
| L.R. Fees | — | | (b) Hotels | — | |
| | | | (c) Public Authorities | — | |
| III. SUNDRY EXPENSES:— | | | (d) Sundries | — | |
| Compensation | — | | III. BALANCE, being Cost of Land undeveloped or partially developed, C/d. | | — |
| Tithe Redemption | — | | | | |
| Land Tax Redemption | — | | | | |
| IV. RESERVE, being Profit on Sales of Sites, C/d. | | — | | | |
| | £ | — | | £ | — |

B. SITE CLEARING ACCOUNT.

| | £ | | £ |
|--|-----|---|-----|
| I. TREE FELLING | — | I. SALE OF TIMBER | — |
| II. DEMOLITIONS | — | II. SALE OF BUILDING MATERIALS | — |
| III. LEVELLING SITE AND GRUBBING HEDGES .. | — | III. TRADING ACCOUNT, being cost of clearing allocated to completed houses .. | — |
| | | IV. BALANCE, being amount applicable to undeveloped or partially developed land, C/d. | — |
| | £ — | | £ — |

C. ROAD AND SEWER CONSTRUCTION ACCOUNT.

| | £ | | £ |
|---|-----|--|-----|
| I. MATERIALS CONSUMED (adjusted for stock) : Ballast, Sand, Gravel, Broken Brick, Ashes and other Rubble, Cement, Clay, Paving Stones, Curbs, Raddi, Street Lighting, Lime, Reinforcement Steel, Expansion Jointing, Earthenware Pipes, Bends, Saddles, Gullies, Grids, Manhole Covers and Steps, Shrubs, Trees, &c., &c. .. | — | I. TRADING ACCOUNT, being amount allocated to completed Houses on basis of predetermined estimates of cost | — |
| II. LABOUR COSTS :— Wages and Insurances | — | II. BALANCE, being amount applicable to undeveloped or partially developed Land, C/d. | — |
| III. LOOSE TOOLS AND CONSUMABLE STORES :— Picks, Shovels, Barrows, Timber (for shuttering), Lines, Ropes, Lamps, &c., Petrol, Oils, Grease, Yarn, Water, Lighting, Power, Fuel (coal, coke, &c.) .. | — | | |
| IV. PLANT AND MACHINERY :— Concrete Mixers, Rollers, Diggers, Excavators, Compressors, Hammer Drills, &c., &c. | — | | |
| Repairs thereto | — | | |
| Depreciation thereof | — | | |
| V. SUPERVISION :— Timekeepers, Storekeepers, &c., and Office Expenses | — | | |
| | £ — | | |
| VI. GROSS SURPLUS OR DEFICIT to Profit and Loss Account (being excess or deficiency of estimated costs over actual costs) .. | — | | |
| | £ — | | £ — |

D. BUILDING ACCOUNT.

| | £ | | £ | £ |
|--|-----|------------------------------------|---|-----|
| I. MATERIALS CONSUMED (adjusted for stock) : | | I. HOUSES COMPLETED :— | | |
| Brick, Stone, Tiles and Cement, Timber | | Transferred to Trading Account | — | |
| including Doors, Windows, &c.), Metal | | Contract Price | | |
| Windows, &c., Glass and Paint, Hearths | | Extra Costs thereon | | |
| and Grates, Boilers, Cisterns, Tanks, | | | | |
| Sanitary Fittings (including Baths, | | | | |
| Basins, &c.) | — | | | |
| II. LABOUR :— | | II. WORK IN PROGRESS C/d :— | | |
| Wages | — | Valued by stage on Contract | | |
| Insurance (State and W.C.A.) | — | Price | — | |
| | | Extra Costs thereon | — | |
| III. SUBCONTRACTING :— | | | | |
| Bricklaying | — | | | |
| Plumbing | — | | | |
| Paperhanging | — | | | |
| Painting | — | | | |
| Glazing | — | | | |
| Plastering | — | | | |
| Parqueting | — | | | |
| Gardening, &c. | — | | | |
| IV. HAULAGE AND CARTAGE :— | | | | |
| (including Lorry and Van Expenses, | | | | |
| Haulage, Wages, Running Costs, De- | | | | |
| preciation) | — | | | |
| V. PLANT AND EQUIPMENT :— | | | | |
| Consumed | — | | | |
| Depreciation | — | | | |
| VI. CONSUMABLE STORES :— | | | | |
| Water, Power, Oils, Petrol, &c., &c. .. | — | | | |
| VII. SITE SUPERVISION :— | | | | |
| Foremen, Timekeepers, | | | | |
| Stock-keeper, &c. | — | | | |
| Office Expenses | — | | | |
| | £ — | | | |
| VIII. GROSS SURPLUS OR DEFICIT (to Profit and | | | | |
| Loss Account), being Excess or De- | | | | |
| ficiency of Estimated Costs over Actual | | | | |
| Costs | — | | | |
| | £ — | | | £ — |

E. ESTATE TRADING AND PROFIT AND LOSS ACCOUNT FOR.... ENDED.....193..

| | £ | £ | | £ |
|--|-----|---|--|-----|
| I. COMPLETED HOUSES in hand at | | | I. SALES OF HOUSES | — |
| commencement (at Cost), B/f. | | | | |
| COST OF HOUSES COMPLETED during | | | II. HOUSES FOR INVESTMENT | — |
| the period :— | | | | |
| (A) Land | — | | | |
| (B) Site Clearing | — | | | |
| (C) Roads and Sewers | — | | | |
| (D) Building | — | | | |
| Deduct : COMPLETED HOUSES in | | | | |
| Hand at end (at Cost). C/d. | | | | |
| Cost of Sales for year | — | | | |
| II. BALANCE, GROSS Profit on Sales, | | | | |
| C/f. | — | | | |
| | £ — | | | £ — |

| | |
|--|---|
| III. ESTATE EXPENSES (SALES EXPENSES) :— | |
| Salesmen's Salaries and Commission .. | — |
| Show House Expenses | — |
| Legal Costs (Sales only) | — |
| Survey Fees | — |
| Motor Expenses (Free Conveyance, &c.) .. | — |
| Estate General Expenses | — |
| Maintenance Costs | — |

| | |
|--|---|
| IV. NET PROFIT on Estate, carried to General Profit and Loss Account | — |
|--|---|

£ —
—

| | |
|--|---|
| III. GROSS PROFIT ON SALES, B/f. | — |
|--|---|

| | |
|---|---|
| IV. SURPLUSES (or Deficits) on :— | |
| Road and Sewer Construction Account | — |
| Building Account | — |

£ —
—

F. GENERAL PROFIT AND LOSS ACCOUNT FOR.... ENDED.....193..

| | | |
|---------------------------|---|---|
| I. Publicity Expenses :— | £ | £ |
| Press Advertising | — | — |
| Brochures | — | — |
| Signboards | — | — |
| Exhibition Expenses | — | — |

II. Head Office Administration :—

| | |
|---|---|
| Salaries | — |
| Rent and Rates | — |
| Interest Charges | — |
| Legal Expenses (exclusive of Sales) | — |
| Lighting and Heating | — |
| Stationery, Postages | — |
| Sundries | — |
| Travelling | — |
| Accountancy and Audit | — |
| Office Repairs and Depreciation | — |
| Bad Debts and Allowances | — |
| Insurance—Third Party, Fire, &c. | — |

| | |
|--------------------------|---|
| III. Balance, C/d. | — |
| £ — | — |

| | |
|---|---|
| IV. Reserve to cover Liability and Expenses under Collateral and Pool Agreements .. | — |
|---|---|

| | |
|--------------------------------------|---|
| V. Directors' Fees and Commission .. | — |
|--------------------------------------|---|

| | |
|------------------------------|---|
| VI. Debenture Interest | — |
|------------------------------|---|

| | |
|----------------------------------|---|
| VII. Income Tax and N.D.C. | — |
| £ — | — |

| | |
|---|---|
| VIII. Balance, Net Profit, available for distribution, General Reserves, &c. .. | — |
| £ — | — |

| | |
|---------------------------|-----|
| I. Estate Profit(s) | £ — |
|---------------------------|-----|

| | |
|------------------------------|---|
| II. Discounts Received | — |
|------------------------------|---|

| | |
|------------------------------------|---|
| III. Interest on Pool Moneys | — |
|------------------------------------|---|

| | |
|---------------------------|---|
| IV. Commission, &c. | — |
|---------------------------|---|

| | |
|--|---|
| V. Net Rents (if any), less Expenses of Management | — |
|--|---|

| | |
|-------------------------|---|
| VI. Balance, B/d. | — |
|-------------------------|---|

Incorporated Accountants' London and District Society.

Dinner to Sir Lynden Macassey.

At Incorporated Accountants' Hall on November 18th Sir Lynden Macassey, K.B.E., K.C., was entertained to dinner by the Incorporated Accountants London and District Society.

Mr. ARTHUR COLLINS, the Chairman of the Society, presided, and there were present the following guests and members :—

The Mayor of Westminster (Mr. H. S. E. Vanderpant), Mr. Walter Holman (President, Society of Incorporated Accountants), The Treasurer of the Hon. Society of the Inner Temple (Judge Arthur W. Bairstow, K.C.), Sir Geoffrey Clarke, C.S.I., O.B.E. (President, Association of British Chambers of Commerce), Mr. E. Cassleton Elliott (Vice-Chairman), Sir Robert Tasker, M.P., the Mayor and Mayoress of Holborn (Mr. and Mrs. J. W. Roberts), Sir David B. Meek, C.I.E. (Indian Trade Commissioner), Sir Edward Campbell, M.P., Mr. John Fox, O.B.E. (Chief Registrar of Friendly Societies), Mr. S. H. Gillett, F.C.A. (Chairman, Chartered Accountants' London Members' Committee), Professor Arnold Plant, B.Sc., B.Com. (Sir Ernest Cassel Professor of Commerce, University of London), Sir George Paish, Sir Thomas Keens, Mr. Henry Morgan, Mr. J. H. Thorpe, K.C., Mr. E. C. Martin, Mr. Edward Baldry, Mr. Ernst J. Cohn, LL.D., Mr. R. S. Fraser, Mr. C. John Colombos, Mr. E. Henry, Sir Fiennes Barrett-Lennard, Mr. Maurice Thompson, Mr. J. Scott-Moore, Mr. T. A. Ryder, Mr. F. W. Rattenbury, O.B.E., Mr. A. Stuart Allen, Mr. Owen Jones, Mr. W. Norman Bubb, Mr. Sam Lord, Mr. A. A. Garrett, M.A., Mr. Thomas Haworth, Mr. Bertram Nelson, Colonel W. A. Sparrow, Mr. Alan F. Chick, Mr. A. F. Day, Mr. Richard A. Witty, Mr. G. W. Hawkins, Mr. G. Roby Pridie, Mr. Claude Fryer, Mr. Clement B. Cawthorne, Mr. A. Harman, Mr. E. C. Coleman, Mr. Frederick R. Witty, Mr. William Strachan, Mr. John Thomson, Mr. W. J. Holman, Mr. H. J. Sier, Mr. C. W. Wildy, Mr. Walter A. Crocker, Mr. J. A. Cook, Mr. F. Martin Jenkins, Mr. A. Whatley, Mr. W. J. Jackson, Mr. E. V. Rutherford, Mr. Cedric N. Walter, Mr. H. F. Cornish, Mr. William Nicholson, Mr. Tom Taylor, Mr. C. A. G. Hewson, Lt.-Col. C. P. Oswald, C.M.G., Mr. Walter P. Rooke, Mr. M. Widdowson, Mr. W. J. Back, Major R. N. Barnett, Mr. F. G. Brewer, Major F. J. Bywater, Mr. C. V. Best, Mr. D. F. Middlemiss, Mr. J. J. Hawkins, Mr. Arthur H. Gardner, Mr. H. Basil Sheasby, Mr. J. H. Monson, Mr. H. S. Monson, Mr. H. M. Fleming, Mr. S. H. Cocksedge, Mr. L. T. Little, B.Sc., Mr. W. Manning Dacey, B.Sc., Mr. Geoffrey Morgan, Mr. Owen Stallwood, Mr. B. Abel, Mr. W. R. Spencer, Mr. H. G. Ayres, Mr. F. L. Cooke, Mr. R. D. Higgs, Mr. J. J. Elsdon, Mr. W. J. Freeman, Mr. J. Surtees Brittain, Mr. J. G. Cowen, Mr. John James, Mr. W. E. A. Norman, Mr. F. M. Skelt, Mr. J. C. Fay, Mr. H. F. O. Bence, Lt.-Colonel G. C. Wycisk, Mr. A. D. Donald, Mr. J. G. Huggins and Mr. S. C. Ireland.

The loyal toast having been duly honoured,

The CHAIRMAN, in proposing the toast of "The Guests," said that they represented very diversified interests. First of all, the company present were honoured once again by the presence of Their Worships the Mayors of Westminster and Holborn. The Society had always maintained close connection with the official bodies which those two gentlemen represented. They were all delighted on that occasion to have with them also the Mayoress of Holborn.

They had also with them that evening several members of the House of Commons, including at least one Minister. There were present representatives of Government Departments, with whom the Society maintained always the most cordial and happy relationships. For reasons which would appear more fully later in the evening, Chambers of Commerce were strongly represented in the guest list. In that connection he would, in passing, mention only one name—the name of an old friend of the Society who was always a welcome visitor there, Sir Geoffrey Clarke. There were also present the editors of two of the financial newspapers, several men of very high degree in the world of economics, insurance, and old friends representing the Chartered Accountants, with whom, needless to say, the Society was always on the best of terms.

In passing, he might say, as a practising accountant, that he thought the tendency of recent years on the part of all the various societies and bodies of accountants had been rather to try and improve the standard of the profession than to score off their rivals. They were, as yet, an open profession and it was competent for anybody, even at the present day, to put up an elaborate name-plate on his door and practise the science of accountancy. More the pity, but there it was.

Last, but not least, they had their friends the lawyers. He was reminded in that connection of a story Lord Hewart told with pleasure to himself and everybody else, and which he (Mr. Collins) would venture to repeat. A dispute arose between the Governors of Heaven and Hell as to the ownership and income from a piece of property. The matter was referred to arbitration—again a significant word that evening, as would appear. The Archangel Gabriel was appointed the arbitrator. When the proceedings opened the representatives of Heaven protested that they were not prepared to proceed as their case was not ready. Gabriel said, "Well, it is very disappointing. I have a series of urgent engagements, but I will postpone this matter for a fortnight." At the end of the fortnight the parties again appeared before him, and the representatives of Heaven again expressed their embarrassment; and being told that, whether they were ready or not, the proceedings would begin and finish in another fortnight, the representatives of Heaven conferred amongst themselves and finally announced to the arbitrator that they were quite unable to proceed with the preparation of their case until the other side had lent them a lawyer and an accountant. (Laughter.)

Their chief guest that evening was Sir Lynden Macassey. (Cheers.) Sir Lynden would have gathered from that reception of his name that the gathering considered themselves honoured by his company. Sir Lynden Macassey had acquired an international reputation in the work of arbitration. His association with the world of arbitration extended not only to his services as counsel but to his offices as arbitrator. He (Mr. Collins) had informed Sir Lynden that it was the Society's plan always to leave to their

principal guest a considerable amount of discretion as to the subject, if any, which he might wish to choose for his speech. Amongst other things, he had asked Sir Lynden what he thought was the most topical subject for accountants and business men—they would notice the distinction. (Laughter.) Sir Lynden had replied that he thought there was a great deal to be said just now in ventilating the subject of international commercial arbitration.

Sir Lynden having given that intimation, they had at once asked him for the names of a few gentlemen who might be willing to be their guests that evening, who had special interest in that work, and as a result three or four eminent in that field of activity were present. There was Mr. Fraser, the Chairman of the Commercial Committee of the International Law Association; Dr. Cohn, a very distinguished international lawyer; Mr. Owen Jones, who was also a very worthy representative of those who had international trade disputes in their hands, other representatives of great trading organisations, and Sir Lynden Macassey himself, a very good specimen of an Englishman, who in any arbitration was a great asset to the client, the cause or the case with which he was for the time being associated. Sir Lynden would be observing their usual practice and not in any way transgressing if, in the course of his reply, he would care to entertain them with a review of topical events in the international commercial arbitration field. He (the Chairman) offered to one and all a very cordial welcome and invited the members of the Society to drink with him the health of "The Guests," coupled with the name of Sir Lynden Macassey. (Cheers.)

Sir LYNDEN MACASSEY, K.B.E., K.C., in responding to the toast, said it was his first duty, and a very pleasing one, to say on behalf of all the privileged guests how very much they appreciated the invitation to such a delightful dinner in such charming surroundings and in, even for lawyers, the congenial company of accountants. (Laughter.) It was the first time he had ever had the pleasure or the responsibility of dining under the emblem of the Pilgrim Fathers. When the lawyers in the Temple heard that a profession of such predatory instincts, under the auspices of the Pilgrim Fathers, was proceeding to colonise that particular part of the Embankment, their worst apprehensions were aroused. They were, however, with more neighbourly experience, getting over them.

It gave him personally very great pleasure indeed to be present under the presidency of their Chairman, who was an old friend of his. He and his friend Mr. Thorpe, of the Parliamentary Bar, who was also present, valued Mr. Collins as a colleague and were afraid of him as an opponent. They regarded him in financial matters as one of the most adroit negotiators living, and when he came to give expert evidence one's feelings depended upon whether one was on his side or against him. When he (Sir Lynden) was against Mr. Collins he always remembered the notice he saw once in the staff room of an engineering shop in the United States: "If you think you know more than the boss, be very sure you do before you

tell him so." (Laughter.) Mr. Thorpe and himself would give Mr. Collins this tribute: that they regarded him as the most accomplished strategist under cross-examination, one who could be relied on never to let his opponent know that he was out of ammunition by keeping on firing. It was a great gift in an expert witness.

He (Sir Lynden) had been invited, if indeed not instigated, to make some special reference to a topic of importance, not merely to accountants but to the great trades and industries of this country, of which accountants were the chief custodians. At the present time perhaps the most valuable right which so many of the great trading and commercial organisations in this and other countries possessed was the right which merchants from the earliest days had valued, of being able to secure quick and impartial decisions upon disputes which must inevitably arise, in regard to commercial transactions, however much merchants were assisted by accountants.

The practice, as most people knew, was this. All the great trading organisations in this country had, by a system of voluntary agreement, arranged machinery by which all disputes between a trader in this country and a corresponding trader in another country could be settled by a method of voluntary arbitration. Right across Europe in most trades the British system of arbitration had been adopted by voluntary agreement. That meant that merchants in the corn trade, the oil trade, the hides trade and other trades were able, if a dispute arose between a vendor and a purchaser, to obtain under a system of voluntary arbitration, which was always resorted to, a quick, impartial and effective decision. That process had been extended by agreement in numerous trades to an increasing extent over the last 25 years.

In the United States of America quite recently a scheme had been adopted by which all disputes between nationals of the United States of America and all the other States in Central and South America would be effectively, finally and expeditiously determined on the same British or Anglo-American system.

Three years ago the Institute of International Law at Rome had formulated a scheme for the unification of national arbitration laws in all the countries of Europe. That scheme, for which the Institute at Rome had been securing considerable support in Europe, was to be presented in the near future for adoption by Convention by the League of Nations. If so adopted, the proposal was that each country adopting it should pass a national law providing for arbitration on the basis of the Convention. The Convention so embodied in a national law would thus govern all disputes between nationals of one country and of another country in regard to trading, commercial or other matters.

Speaking in the presence of a number of people representing the great trading and commercial organisations in this country, he thought he was right in saying that they would regard it as a disaster to commerce if a system of that sort were to be introduced into Europe. If this Convention were adopted at the League of Nations and afterwards put into effect by national laws in the countries adopting it.

it would put an end to, or if it did not put an end to would undoubtedly most seriously obstruct, the continuance of the present smooth and most effective voluntary arbitration system in operation between the traders of one country and the traders of another which had been adopted by all the great international trading federations.

A question was asked quite recently in the House about the matter and it appeared that the Foreign Office knew little or nothing about it. So seriously did all the great trading organisations regard it that they were now proceeding to take steps to impress upon His Majesty's Government how injurious to trade it would be if the continuance of the present perfectly successful methods of settling commercial disputes were to be impeded, obstructed or superseded by the method proposed by the Institute of International Law at Rome.

He had been asked to suggest a topic for consideration. He wished to suggest that accountants, who had great influence in the country, should consider whether by adding their weight to those of the great trading organisations, they would not be acting, not merely in the interests of trade and commerce, but in the interests of their own profession. Accountants were very largely engaged in international arbitrations and should align themselves with the great trading and commercial organisations and make it clear to His Majesty's Government that it was their duty not merely to decline to approve the Convention when it came before the League of Nations at Geneva but to take all active steps against its being adopted by other countries.

At the present moment it was one of the most serious matters confronting the trading and commercial community in this country, and the great trading organisations were very much alive to it. But His Majesty's Government did not appear to be, and in the presence of some distinguished Members of Parliament, he ventured to say it was probably the first time they had heard anything about it. (Dissent.) Well, perhaps that was too sweeping; he would withdraw that remark in respect of one honourable member, who had, he knew, his ear always very close to the ground.

He proposed again for introducing such a serious subject into a most convivial and delightful evening, and again desired to express the thanks and appreciation of the guests of a most delightful evening's entertainment. (Cheers.)

Mr. WALTER HOLMAN (President, Society of Incorporated Accountants) proposed the toast of "The Chairman." He said that very few words indeed were needed to recommend for their acceptance the toast he had the honour to propose, but many more words would be required adequately to deal with his subject because that subject was a man whose range of activities was very large. Their Chairman had a reputation as a raconteur, and so large a stock of stories had he that occasionally there was one which he (Mr. Holman) could repeat to members of the Society in other parts of the country. (Laughter.) He might add that he himself appreciated and enjoyed them all.

But that faculty for story-telling in the right sense of the word was only an indication of the very brilliant brain which lay behind. Many men had the capacity for logical and clear thinking and many men had the facility for clear and concise expression, but very few men had both qualities combined, and among that few their Chairman would take a very high place. When he had listened to their Chairman's masterly arguments and his forceful expression of them he had often felt that Mr. Collins would have gained as distinguished a place among the talkers of the world as he had gained among its workers. (Laughter and applause.) What a brilliant barrister he would have made! (Renewed laughter.) He would have been worthy to have sat at the feet even of their distinguished principal guest, although he could not imagine Mr. Collins sitting at anyone's feet for very long. And what a politician he would have made! What an asset he would have been to the managers of any political caucus!

But in spite of all temptations to belong to other professions, he was an Incorporated Accountant. They were very proud of that and had been very proud of him since he walked off with the Society's Silver Medal at the Examination 33 years ago. (Cheers.) If he was not so well known as an Incorporated Accountant as they could wish, it was because his sphere of activity had been in the specialised branch of municipal accountancy. There were few municipalities in this country or in the British Dominions which had not at one time or other sought his advice and his assistance, and they had not sought it in vain. He (the speaker) had not had the temerity to ask their Chairman what was his relationship to "John Collins," but if, as he suspected, he had difficulty on occasions in keeping John at arm's length, then they would have even greater sympathy with their Chairman and would receive with greater enthusiasm the toast of his health which was now submitted for their acceptance. (Cheers.)

The CHAIRMAN, in reply, said he wished to thank them all for the warm reception given to the toast which had been proposed in such felicitous terms by his old friend, Mr. Walter Holman. He did not know whether he was right in describing Mr. Holman's remarks as "scattered," but they had certainly scattered all the ideas he had as to the form and substance of his reply. Mr. Holman's remarks concerning himself, in so far as they were laudatory, were certainly only approximately correct. In a body of accountants it was perhaps improper to use such a loose phrase as "approximately correct," but it reminded him of an American story. Two men met in New York after a considerable interval during which they had not seen each other. The one who had stayed in New York all the time said to the other, "I am glad to see you back again, Jake. I heard you made 400,000 dollars out of corn in Cincinnati since I saw you last." And the other replied, "No, bo! you are only approximately correct. In the first place I never were in Cincinnati; it was in Milwaukee. And I ain't traded in corn—it was cement. The sum was not 400,000 dollars, but

800,000 dollars. And what is more, I never made them; I lost them." (Laughter.) In that sense the President's remarks were only approximately correct.

However, he (Mr. Collins) could say, and with sincerity, that it had been a real pleasure to him to be acting as the spokesman for the hosts that evening, and he need hardly add that anything he could do for the Society to which he belonged would always be done with great pleasure. (Cheers.)

QUESTION OF RECEIVER'S PERSONAL LIABILITY FOR RENT.

In an action before Mr. Justice Lewis in the King's Bench Division last month an accountant, who had been appointed receiver and manager of a company, contested a claim that he was personally liable for the rent of premises leased to the company of which he became receiver.

Consolidated Entertainments Limited, of Queen Street, E.C., sued Mr. Henry Thorn Taylor, Chartered Accountant, of Walbrook, London, E.C., claiming £691 13s. 6d. in respect of rent and insurance of the Norbury Cinema and Dance Hall, of which the plaintiffs are the owners.

Mr. Taylor was appointed on January 15th, 1935, by a Chancery Division Judge, receiver and manager of Norbury Properties Limited, and he had possession of the cinema and dance hall leased to that company by the plaintiffs.

The case for the plaintiffs was that they allowed Mr. Taylor to remain in possession of the cinema in consideration of an agreement that he would pay the rent.

Mr. Taylor denied that he was personally liable for the rent and contended that he was in occupation of the cinema only as receiver and manager of Norbury Properties Limited.

The lease of the cinema was surrendered in February, 1936.

Mr. George Fenton, secretary of the plaintiff company, gave evidence that Mr. Taylor promised to pay the rent out of the proceeds of the sale of the lease, but what was to happen if the lease was not sold was not discussed.

Mr. Taylor gave evidence that the only promise he made was to pay the rent if the sale of the lease was completed.

Giving judgment, Mr. Justice Lewis made it clear that his decision was without prejudice to any step which the plaintiffs might be advised to take in other proceedings in the Chancery Division. After his appointment as receiver Mr. Taylor endeavoured, in the interests of debenture holders, to dispose of the lease of the cinema, but, though negotiations took place, he failed to get a purchaser.

His Lordship was unable to find in the correspondence anything which ought to be taken as an agreement that Mr. Taylor would be personally liable for the rent. There was nothing which indicated that the plaintiffs were looking to Mr. Taylor personally for the rent or that he pledged his own credit for it.

"I am quite satisfied," added Mr. Justice Lewis, "that there never was any personal liability on Mr. Taylor, and the fact that there was an arrangement that the rent should be paid out of a certain fund, and that that fund never came into existence, cannot create a liability on Mr. Taylor which did not exist before."

Judgment was entered for Mr. Taylor with costs.

Partnership in Relation to Income Tax.

A LECTURE delivered to the Incorporated Accountants' District Society of Devon and Cornwall by

MR. L. BARFORD, B.A.

Inspector of Taxes.

MR. BARFORD said:—The object of the lecture is to examine some of the problems with which accountants have to deal in settling the income tax liability of partnerships. It is important in the first place to understand clearly the position of partnerships in the Income Tax Code. Income tax is charged under all the five schedules upon "persons." A person can be an individual, a company, a society or a corporation, but a partnership is not in English law a person as distinct from its individual members. It follows, therefore, that in the general scheme of the Act the individual is assessed directly to tax in his own name for his share of partnership income, and the existence of the partnership is ignored in making assessments. There is, however, one exception of major importance to this scheme. Rule 10 of the Rules of Cases I and II directs that a joint assessment is to be made in the partnership name where a trade or profession is carried on by two or more persons jointly. This rule creates a set of special problems for all trades and professions carried on in partnership, and it is with these problems that we shall be mainly concerned.

CONSTITUTION OF A PARTNERSHIP.

The first question, then, to be decided is what constitutes a partnership. The Finance Acts give no definition of the meaning of partnership, and therefore in general it can be stated that the question whether a partnership exists is a question of fact for determination of the Commissioners. There are, however, a number of High Court cases which provide working rules for determining whether partnership exists.

(a) A partnership may be held to exist *de facto* without a written agreement.

"It is quite possible that before the deed was executed the partners may in point of fact have been carrying on business in partnership which would give rise to partnership accounts and which would give rise to partnership liabilities and so on." *Waddington v. O'Callaghan* (16 T.C., 197).

(b) The mere execution, however, of a partnership deed does not constitute a partnership unless it is acted upon by the parties. *Dickenson v. Gross* (11 T.C., 614).

(c) Where the written agreement creates the partnership, the agreement is not for tax purposes capable of taking effect from a date earlier than its execution.

"When people enter into a deed of partnership and say that they are to be partners as from some date which is prior to the date of the deed, that does not have effect that they were partners from the beginning of the deed. You cannot alter the past in any way." *Waddington v. O'Callaghan* (16 T.C., 197).

(d) Specific provisions in an agreement that a joint account shall not constitute a partnership is not conclusive evidence. *Morden Rigg & Co. v. Monks* (8 T.C., 464).

So it follows that for tax purposes a partnership may exist although the partners deny it exists. It may not exist although the partners declare it does exist. It may exist without a written agreement, and it may not exist although there is a written agreement. It is not possible to produce a formula for testing all alleged partnerships.

Each case must be decided on its own merits. But evidence which must be considered includes :

(a) Whether each member has the authority of a partner, or whether his status is that of an employee.

(b) Whether the bank account is in the name of the partnership, and each partner has the authority to commit the partnership financially.

(c) Whether the profits are in fact divided between the partners.

(d) Whether the partnership corresponds and acts under the partnership name.

(e) Whether losses are shared in fact by the partners.

A partnership can exist between a husband and wife, or between an individual and a limited company.

The partnership exists for tax purposes from the date of its *de facto* constitution, which may be earlier or later than the written agreement. The effect of a written agreement on an existing partnership is limited to the future. It cannot modify in retrospect any conditions of the partnership which actually existed prior to the date of the deed.

HOW A PARTNERSHIP IS ASSESSED.

Rule 10 of the Rules of Cases I and II directs that the tax shall be computed and stated jointly and in one sum, and shall be separate and distinct from any other tax chargeable on these persons . . . and a joint assessment shall be made in the partnership name.

The precedent partner, *i.e.*, the one who is first named in the agreement, or is first named in the firm's usual name, or the precedent acting partner if the precedent partner does not act, is the one who is obliged to make returns on behalf of the partnership under pain of the penalty prescribed.

When the amount of the partnership assessment is determined it is divided between the partners and the share applicable to the individual partner is available for allowances and reliefs in the same manner as any other part of his income, and is included for all purposes in the total of his aggregate income.

The allocation of the assessment among the partners is in strictness to accord with the basis of division of profits during the year of assessment, and not the accounts year on which the assessment is based. No difficulty arises where profits are divisible equally or in shares like two-thirds and one-third. A great many partnerships, however, contain provisions for interest on capital invested or for salaries to the partners. Such salaries and interest are merely applications of the assessable profit and must be included in the division.

EXAMPLE.

Two Partners A and B.

| | | |
|--|---------|------|
| Balance on the Accounts Year to 31/12/35 | .. | £300 |
| Partners' Salaries | | 156 |
| Interest on Capital A. | £20 | |
| B. | £40 | 60 |
| Assessment 1936/37 | | £516 |

Basis of Division is :

(1) B receives Salary of £156.

(2) Interest on Capital.

(3) Balance divided $\frac{2}{3}$ to A, $\frac{1}{3}$ to B.

The Allocation is :

| | A | B |
|----------|-----|-----|
| Salary | — | 156 |
| Interest | 20 | 40 |
| Balance | 200 | 100 |
| | 220 | 296 |

This allocation accords exactly with the actual division made in the accounts. But if during the year of assessment 1936/37 the basis of division is changed, then the division of the assessment must also be changed to accord with the new basis. The new division of the assessment will be different from the division which the partners actually made in the accounts basis year of 1935. The interest on capital remains the same.

E.g.—Suppose B is to receive £4 per week from July 4th, 1936, the assessment will be re-divided as follows :—

| | A | B |
|---------------------|-----|-------------------------------|
| Salary | — | 39 (13 weeks at £3 per week) |
| | | 156 (39 weeks at £4 per week) |
| Interest on Capital | 20 | 40 |
| Balance | 174 | 87 |
| | 194 | 322 |

It is important to note that the division of the assessment is to follow the lines on which the partners divide the profits during the year of assessment. Normally the provisions of the written agreement are conclusive on this point, unless it is established that they are in fact being varied by mutual consent.

LOSSES.

Losses are divided for income tax purposes between the partners in the same way as profits, and they are available for relief to the individual partners by :

- (1) Repayment against the statutory income of the year of loss under sect. 34 ;
- (2) Carry forward under sect. 33 against the individual partners' shares in the firm's statutory income from the same business.
- (3) Set-off against profits of the year of assessment arising in another trade to the individual partner.

The first point to be appreciated is that the partnership as a whole must suffer a loss before it can be held that the individual partner has suffered a loss—*e.g.*, the partnership assessment is £200.

A is entitled to a salary of £300 and then losses and profits are divided equally with B. The allocation in the accounts is £300 salary, less £50 share of the loss, equals £250 profit to A and the balance of £50 loss to B. But for income tax purposes there is *no loss in trade*, as there is an assessable profit of £200. The inspector is concerned only to allocate the assessment between the partners, and as the salary of £300 is the first charge on the profits, the division is £200 to A and nil to B. A therefore suffers tax on £200 instead of the net £250 he has actually received, and B has no relief for his loss of £50.

The second consideration is that the total losses available to the partners for relief cannot exceed the amount of the loss sustained by the partnership as a whole, *e.g.*, the trading loss for tax purposes is £30.

Under the partnership agreement the loss is divisible equally after a salary of £104 to A. The total partnership loss is therefore £30 + £104 = £134 : £67 to each partner. A has £104 salary and £67 loss, a net profit of £37. B has a net loss of £67. The assessment is nil and the loss available for relief to B is £30 only.

Losses are individual to the partner who suffers them. The partner must claim relief against his own share of the partnership income or against his personal income. The partnership as a whole cannot obtain relief. The following examples will help to explain the position :—

1. In accounts year 1934 a loss of £300 arises in the partnership of A and B which is equally divisible subject to a salary of £200 to A. The division is :—Total loss

£300, salary £200=£500. A suffers loss of one-half £250, less salary £200=£50, and B suffers loss of £250. In 1935 the partnership makes a profit of £300. The division is:—A, Salary £200, £50 profit=£250.

B £50.

The assessment will be £300, less losses £100. A has £250 assessable income and £50 losses forward, and B has £50 assessable income and £250 losses forward. B must carry forward the balance of £200 loss remaining to future profits personal to himself.

2. When a partnership is changed by the withdrawal of one of the members, all losses applicable to the retiring partner cease to be available for relief against future partnership profits, *e.g.*,

| | A | B | C | |
|--------------|------|------|------|----------------------|
| 1933 loss .. | £100 | £100 | — | 1934/35 assess. nil |
| 1934 „ .. | 200 | 200 | — | 1935/36 assess. nil |
| 1935 profit | 400 | — | £400 | 1936/37 assess. £800 |
| | | | | less losses £300 |

(B retires at end of 1934 and C takes his place, and there is no claim made to treat partnership as discontinued on the date of change.)

Where a Rule 21 assessment is made to retain charges on a partnership where the partnership assessment is nil, the amount assessed can be carried forward under sect. 19, Finance Act, 1928, and this amount and the trading loss under sect. 33 are to be aggregated before division between the partners.

PARTNERSHIP CHANGES.

The practical effect of sect. 32 (1), Finance Act, 1926, amending Rule 11 of Cases I and II, in circumstances where there is a change in the members of a partnership or where a sole trader takes in a partner, is to give the taxpayer the option either of treating the business as ceasing at the date of change and as newly set up from that date or of continuing to be assessed on the preceding year's basis.

It should be noted that where the discontinuance option is exercised, the application must be made with the assent of all members of the old and the new partnerships.

The main effects of not exercising the discontinuance option will be:—

(1) The partnership is entitled not only to continuity in the basis of assessment but also in the computation of liability.

It is therefore entitled to—

- (a) A deduction in respect of expenditure on assets taken over in defective condition;
- (b) an allowance for wear and tear based on the predecessors' written-down value;
- (c) an allowance in respect of the predecessors' unexhausted wear and tear.

The assessments are re-allocated among the new partnership as from the date of change. It should be noted that the effect will be that the first years of liability of the new partnership will actually be in the earnings of the old partnership.

The partnership assessments are divided by the Commissioners within four months after the end of the year of change under Rule 9. The apportionment is normally made on a time basis, except where there is satisfactory evidence that another basis would be more fair, *e.g.*, in a seasonal trade.

Where an employee becomes a partner and the discontinuance option is not exercised, the employee's remuneration in the basis period is not added back in the computation of profits.

A practical difficulty arises in the somewhat frequent changes in partnership among professional men, *e.g.*, doctors and solicitors. It is normally found that the discontinuance option is exercised. Professional accounts are often kept on a cash basis as distinct from an earnings basis. The cash basis does not provide a fair measure of the profits of professional men in the early years of practice in view of the heavy outstandings of earnings which they usually carry, and accountants must be prepared in all such cases to make up the profit and loss accounts on an earnings basis at least until the practice can be regarded as fully established—a period covering the first three years' minimum.

Where the discontinuance right is exercised the new partnership commences for all purposes as a new concern, and there is no carry-forward of any of the reliefs applicable to the old partnership. The additional Commissioners have the option of assessing the old partnership on the actual profits of the penultimate year of its existence.

Under sect. 15, Finance Act, 1930, the taxpayer has the option of being assessed on the actual profits of the second and third years of assessment. If a change occurs in the partnership during this period, there must be a written agreement between each incoming and outgoing partner and the legal representatives of any deceased partner before any claim to relief can be admitted. If the claim is once admitted it can only be revoked by the consent of all parties.

GENERAL POINTS.

1. Recovery of Tax.

A member's liability is not restricted to the amount of his share of the tax assessed on the partnership. Recovery can be effected against any member of the partnership or against any partnership property, and each member is responsible for seeing that full discharge of the whole duty due from the partnership is made.

2. Earned Income Relief.

Earned income relief is due only where the partner is acting. A sleeping partner is not entitled to the relief on his share of the profits.

3. Partnership Resident Abroad.

Occasionally a case is met where the control and management of a partnership is carried on abroad although some partners reside in the United Kingdom, and some trading transactions are carried on here. Rule 12 provides that in such circumstances the partnership is assessable on the same basis as a non-resident. An assessment can be made in the name of a partner resident in the United Kingdom in respect of profits arising from trading transactions by the partnership within the United Kingdom.

MUNICIPAL ELECTIONS.

The following Incorporated Accountants were returned at the recent Municipal Elections:—

Mr. H. W. Surridge, A.S.A.A., Bebington, returned unopposed.

Mr. R. D. French, J.P., F.S.A.A., Liverpool (West Derby Ward), re-elected.

Mr. Alexander Critchley, M.P., F.S.A.A., Liverpool (Warbreck Ward), re-elected.

Mr. W. H. Charles, Llanelly.

Mr. H. J. E. Batchelor, F.S.A.A., Southampton (Portwood Ward), re-elected.

Mr. F. L. Kilby, F.S.A.A., Brighouse.

Mr. F. A. Webber, F.S.A.A., Bristol (St. Michael's Ward), returned unopposed.

The Finance Act, 1937.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London and District by

MR. W. J. BACK,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. WILLIAM STRACHAN, Incorporated Accountant.

MR. BACK said: My subject is the Finance Act, 1937. It is true that the National Defence Contribution has very largely absorbed the attention of the Press and indeed of professional comment upon the Act, but there are a number of matters included in the Act which ought not to be overlooked either by practitioners or by students. Therefore we will deal with these other items first and come to the National Defence Contribution itself later.

The Act begins with the provision as to the rate of tax. It provides for income tax at the rate of 5s. in the £, while the rate of sur-tax is unchanged.

SECTION 34—REVISION.

There is a small revision—small, but important in some cases—of sect. 34 of the Income Tax Act, 1918, under which you are able to make repayment claims in respect of losses. It has sometimes happened that when you have finished making a computation under Case 1 of Schedule D you have ended up with a loss and have said to yourself "There will therefore be a repayment claim under sect. 34." You have then discovered, perhaps to your dismay, that there was no repayment claim under sect. 34 because repayment claims have been refused unless there was an absolute loss, and it may be that the concern has owned its own property and when you have brought in the annual value of the property under Schedule A, or perhaps in other cases the income from certain investments, you have found that the loss you had arrived at under Case 1 was turned into a profit. Sect. 13 of the 1937 Act provides that the amount of the loss sustained shall be computed in the same way as the amount of the profit for Case 1, so that in those cases you will, in future, be able to make your repayment claim.

TAX EVASION.

There are four clauses directed to the prevention of evasion of tax.

(1) "BOND WASHING."

First of all there are the provisions in relation to what is known in the City as "Bond Washing"—a delightful expression that does mean something in this case. It means the selling of stocks or shares cum-dividend at a price, therefore, which includes the dividend, and buying them back again ex-dividend. You see the effect of that at once, as you remember that in the case of *Wigmore v. Thos. Summerson & Son, Limited* it was laid down that accrued interest and dividends could not be assessed upon the seller in such cases, but was always assessed upon the person who actually received the dividend—that is to say, the buyer. Therefore, although in fact the seller of stocks in this case had really received the dividend, he had received it as capital. It was not liable in his hands to income tax and it was not liable in his hands to sur-tax. Further, the Finance Act of 1927, by sect. 35, gave relief in respect of sur-tax where the income of an individual in any given year exceeded by more than a prescribed amount the income which would have been assessable calculated on an accrual basis. That made it still worse from the Revenue point of view. The stocks utilised were largely foreign and Colonial stocks or possibly certain British Government securities,

the income from which is paid without deduction of tax. Those securities were sold to somebody who had a foreign domicile. He therefore collected, in his foreign domicile, the dividend on them. It was not subject to English income tax; it came into nobody's sur-tax assessment and so the income escaped tax altogether. In some cases, where there were Bearer securities with coupons, it simply meant that the buyer cut off the coupons and handed the stock back again minus the coupon. He then proceeded to collect the dividend on the coupon and the seller had the effect of the coupon in his price but did not pay tax on it. You can easily see how that worked out, and the evasion of tax involved in it, when carried out on a scale of any size.

By sect. 12 of the Act, after April 6th, 1937—there is nothing retrospective about it—any owner who sells or transfers stock, subject to an agreement to repurchase the same securities or similar securities, is liable to tax on the dividend and in appropriate cases of course is liable to sur-tax—whoever in fact does receive the dividend.

On the other hand, it is provided that a dealer in securities who enters into the complementary transaction, buying the stock off you and selling it back again, will not include the amount of dividend in his return of income for tax. It is to be noted, of course, that no written agreement to buy back again is necessary. The existence of such an agreement may be inferred from conduct—that is to say, I assume, evidence of having received the securities back again will create a *prima facie* case. Therefore the person who has been making untaxed profits by Bond-washing—selling cum-dividend and buying back again ex-dividend—is now liable to be "bowled out" by sect. 12 of the Finance Act, 1937.

(2) "ONE MAN" COMPANIES AND SUR-TAX.

Then there are amendments of the provisions in relation to one-man companies and sur-tax, and these are to have effect for 1935-36 and subsequent years. You will remember that the original sur-tax provisions related only to individuals, and if you allowed the income to accumulate in a company and not to be distributed it escaped altogether. That day has long gone by. By the 1922 Finance Act it was provided that there might be an assessment to sur-tax on companies in cases where the company had not distributed what was regarded as a reasonable part of its income in such fashion as to make it assessable to sur-tax in the hands of the recipients. Then the company to become subject to the provisions had to be under the control of not more than five persons, but it was allowed to escape under the original provisions if of the five one was a company to which the section did not apply. Ways of circumvention were discovered, and the Finance Act, 1936, in sect. 19 strengthened the hands of the Revenue in relation to "control."

We then come to the Act of 1937 which, by sect. 14, provides that a company under the control of five persons, of whom one is a company, shall not escape unless the company shareholder is not only not itself liable to sur-tax assessment, but is not the nominee of some other person.

There have been cases in which delay in making up accounts has been used as a means of escaping or delaying sur-tax, and in some instances there have been a succession of companies which have not made up accounts. That also is avoided by the provisions of sect. 14 (2) (b), which provides that the Commissioners may deem any income receivable by a company to have been available for distribution as soon as it becomes due and payable to the company, and they may make any appropriate sur-tax assessment which follows from the conclusion.

Another matter, which is dealt with by sect. 14, sub-

sect. 3, is the basis of apportionment in relation to this sur-tax assessment on companies. Previously where directions were given to assess sur-tax on companies' undistributed profits, those profits were to be allocated by reference to the rights of members to participate in the distribution of profits. One way to avoid or reduce that liability was to have a company with a small capital divided into two classes of shares, one class that in which the "one man" who was at the back of the company had his interest. That class carried a small fixed rate of dividend and nothing more until liquidation, and in liquidation it was provided that it had the whole of the surplus assets after paying the par value of the second class of shares. The second class of shares would be small in amount but would carry a right to the remainder of the profits it might be determined to distribute in any year (after paying the fixed dividend on the first class) then when it came to liquidation the second class of shares were given no right to participate in the surplus assets over and above the amount of the par value of the shares. Usually the people holding the second class of shares were people who in the event of a sur-tax assessment had relatively small liability to tax. Therefore if the Commissioners gave direction under Finance Act, 1922, sect. 21, the profits being allocated in proportion as the shareholders were entitled to receive profits, it would be found that they were allocated to people who would not pay much sur-tax.

The provisions of the present Act give the Commissioners the right to apportion the profits they determine to allocate not only in accordance with the rights to share in distribution of profits but also in accordance with the interests of the parties in the assets—that is, in their ultimate destination or ownership—so bringing in the "one man" who is lying waiting in the shadows behind.

(3) RELIEF OBTAINED IN EXCESS OF INTENTION OF THE STATUTES.

Then there are two provisions that relate to relief which has been obtained in excess of the intention of the Statute. First of all let us deal with the one relating to a wife's earned income (sect. 17). The point is a little difficult to understand at first sight. It relates to cases where a wife has, as part of her income, earned income on which it might be possible to claim an additional personal allowance. You will remember the provisions in the legislation which enable a wife to claim in such a case an additional personal allowance of four-fifths, not exceeding £45 over and above the amount of personal allowance otherwise available. The course adopted has been as follows:—Somebody who was entitled to a pension—let us say a member of the Civil Service, who understood such things—allocated, say, £50 per annum as a payment legally due and payable to his wife. Because the pension was earned income in his hands, it was also earned income in his wife's hands; therefore, out of that £50 an additional allowance of £40 could be claimed. It was perfectly simple, of course, but it is now provided that where that kind of thing happens such income, being part of the pension or compensation for loss of office of a husband, shall not be deemed earned income in the hands of the wife and therefore shall not be available as a basis of the claim to the additional earned income allowance of £45 which has previously been obtained by the parties.

Another provision relates to the Wear and Tear allowance under Schedule A as it is allowed in Schedule D assessments. You will remember that originally Wear and Tear was only allowed on plant and machinery, but since 1918 it has been possible to obtain a wear and tear allowance in respect of the depreciation of buildings that were assessed under Schedule A, the intention being

that where there was vibrating machinery in the buildings which consequently increased the rate of depreciation of the buildings, some allowance should be made for that additional depreciation of the buildings. It has since become possible, partly through the habit of legislating by reference and partly by certain decisions in the Courts, to claim that allowance in cases which were beyond the original intention. There were instances where occupiers could make a claim though they themselves did not own the buildings and therefore did not stand the risk it was intended to provide for. There have also been other extensions.

You should read carefully sect. 15 of the new Act which deals with the allowance for depreciation of premises available under Case 1 of Schedule D. It repeals previous provisions and substitutes a new allowance. It is to be the Schedule A repairs allowance, or one-fifth of the rateable value in the Provinces (one-sixth in London), whichever is the less. Premises not assessed under Schedule A, and brick works and electricity works are to receive 1 per cent. of the actual cost to the present owners of the buildings in question, provided they are used wholly or mainly for housing power plant. It is further provided that non-rateable machinery shall in no circumstances be included with the buildings for that purpose and that the premises must be in the occupation of the owner or, alternatively, of a person whose tenancy agreement makes him bear the burden of the depreciation of the premises.

So much for the provisions of the Act outside the National Defence Contribution. The main purpose of these remarks has been to call your attention to those provisions so that you may not allow yourselves to be absorbed by N.D.C. and forget that there are some other things in the present Finance Act that need consideration.

National Defence Contribution.

The National Defence Contribution is an interesting tax. It is an amalgam of two different ideas, and it contains provisions extracted from three different pieces of legislation, made into a delightful hotch-potch that will call for consideration in the Courts, as well as by many accountants, before the real meanings of a number of the provisions are settled.

It is necessary to bear in mind the origin of the proposals in order to understand just how some of these matters have arisen. You will remember that the Chancellor of the Exchequer gave undertakings in Parliament that there should be taxation which would absorb in some form or other the extra profits that might be made from what was known as "rearmament." It was to be especially directed to that point. He thereupon brought in the original version of N.D.C., which was a tax on the increase of profits over a standard. It was therefore in the nature of an excess profits tax. Its intention was to fulfil his promise that nobody should make profits out of the national emergency or that such profits should be subject to special taxation.

He was faced with the difficulty that, in consequence of the exceedingly wide range of results from rearmament expenditure in these days and the vast number of trades and occupations that, directly or indirectly, are affected by rearmament expenditure, it was not possible to define which companies or which businesses were or might be deriving profits from rearmament. He therefore proposed a tax on profit increases during the period of rearmament wherever they might be found.

You will remember also that there was a violent agitation against that tax by various financial and other interests, and the result was that the Chancellor of the Exchequer bowed to the City storm, hurriedly created a new scheme

and brought it in. He had got already available behind him two dead taxes—the Excess Profits Duty and the Corporation Profits Tax—and one live tax—the Income Tax. He took provisions from each of them and made a new patchwork quilt. Some of the things in his original scheme he forgot to leave out when the nature of the scheme was changed, and there are, therefore, certain anomalies which you can only understand when you remember how the tax proposals began. He gave up the idea of reaching the special class of profits aimed at before and, he having given that up and the City having gained something by its agitation, the City was content; it subsided into a great calm and the Bill received less than the usual criticism and discussion.

I think it is necessary to bear those facts in mind in order to understand certain anomalies. For example, the tax falls upon ordinary shareholders only; fixed dividend receivers escape. That was understandable under the first scheme, because the increases of profits would naturally fall to the ordinary shareholders and they would therefore be the people who should bear any tax. Then, too, "statutory undertakers" are exempted altogether. They were exempted on perfectly appropriate grounds under Scheme 1, because they are limited either as to the charges they are able to make or dividends they are allowed to pay, and therefore increased prosperity would not be reflected in their distribution of profits. But companies which are entitled to distribute 7 per cent. on an original capital increased by bonus issues are really just as fair subjects for the tax as Ordinary shareholders are who are not likely to get even 7 per cent., not to mention the bonus issues which have not come their way.

Furthermore, in form it is a tax for five years only—the period within which it was supposed that the special profits due to rearmament would be harvested. Of course, people who remember that the original Income Tax Act in 1842 provided that Income Tax should cease on the April 5th, 1845, will not be unduly optimistic about the effects of that provision; but still, it is there. In form it is a tax for a term of five years, and probably if it had remained in its original form its usefulness would have been exhausted at the end of five years. Special rearmament profits would then have come to an end and the normal course of the trade cycle would have ensured that nobody was making excess profits; prosperity would have been succeeded by adversity or at any rate by a reaction; probably, therefore, the new tax would have sunk into its grave un lamented, and been forgotten. As it is we have a tax which is relatively simple, which is assessed on business profits—on profit makers only—and which is at a rate which can be varied easily, up or down; and if it should chance that at the end of the five years the Government of the present Chancellor is succeeded by a Government more desirous of taxing profits than other sorts of remuneration, it may be assumed that the scale will go up instead of down. The Chancellor has provided an excellent instrument for purposes other than his own. If traders and ordinary shareholders are permanently loaded with special and discriminatory taxation they will perhaps forget to give thanks to the agitators.

However that may be, the persons making additional profits out of the present special circumstances have escaped any special tax. There are other anomalies remaining. One is that shareholders whose income is low enough to make them exempt from income tax altogether have to pay their share of N.D.C. and will have to pay any additional rate to which hereafter it may be increased.

Come now to the details of the tax. It is a combination of provisions from the Excess Profits Duty, the Corporation

Profits Tax and the Income Tax, and as a number of its provisions have been lifted bodily from those Acts the cases in which these provisions were discussed in the Courts will be appropriate in settling just what is meant by the sections of the present Act concerned.

(1) SUBJECTS OF CHARGE.

The Act says the charge is to be on "profits arising in each chargeable accounting period . . . from all trades or businesses of any description carried on in the United Kingdom, or carried on, whether personally or by an agent, by persons ordinarily resident in the United Kingdom."

"Trade or Business."

The first expression calling for consideration is "trade or business." The charge falls upon a business: that is important because separate businesses in the same ownership will be separately assessed. This means that they will claim separate exemptions and abatements within the limits which may be appropriate to them, whilst on the other hand the ownership of several businesses will not entitle a man to set off losses in one business against profits in another, except in so far as the subsidiary company provisions—to which I will refer later—help him.

There is a distinction between the terms "trade" and "business." A trade seems to involve buying and selling in some form or other. "Business" is a wider term. For example, it has been held that a man who kept a lunatic asylum was in business, but I cannot imagine anybody would maintain that he was trading. He was in business, and so presumably will be brought in by this clause, "trade or business."

What is a business? How would you define "business?" In the case of *Rolls v. Miller*, Lindley, L.J., considered that point and he said: "I do not think we get much help from the dictionary; we must look at the words in the ordinary sense. 'Business' is a word which means almost anything which is an occupation as distinct from a pleasure." Therefore all your occupations which are not pleasures are now under the peril. Lindley, L.J., goes on to say: "Anything which is an occupation or a duty which requires attention is a business." The Act expressly extends this definition by including Investment Companies, in which the passive reception of income is a business for the purposes of the Act.

On the other hand, in the Excess Profits Duty case of *Sangster* in 1920, Rowlatt, J., held that Sangster was not assessable to Excess Profits Duty because "he enjoys an income from what is in law property"—not a business—and in fact that income would continue in the hands of his executors if he died, or would continue to accrue to him if he went into retirement. There are therefore some limits to the term "business." The point was that Sangster was not engaged in an occupation although he was engaged in the pleasurable receipt of income without working.

Then an illegal business is within the term. Suppose you should happen to have a client who is a street bookmaker and who, in the interval of going to gaol or paying fines, makes profits. These are assessable under the National Defence Contribution. A business carried on by a liquidator, merely for the purpose of beneficial winding up, is also chargeable. Suppose your client is a farmer or a nurseryman assessed under Schedule B for the purposes of income tax, that does not enable him to escape. You will have to compute his profits in accordance with the provisions of Case 1, Schedule D in order to determine whether he is liable to pay or not. It may be that most farmers do not make enough income to get beyond the exemption limit, which is £2,000, but

there are some who are anxiously concerned as to whether they are liable to National Defence Contribution or not. The answer is that it is a trade or business which is conducted in the United Kingdom (or elsewhere) by people who are ordinarily resident in the United Kingdom.

Residence.

It is clear that all businesses carried on in the United Kingdom are subject to the tax, whether they are carried on by Englishmen or by foreigners, or by foreigners through agents who happen to be residents here; and all businesses carried on abroad by persons ordinarily resident in this country are also liable to the tax. You will remember the term "ordinarily resident"; it is a well-known income tax term and any income tax book will tell you just what is meant by it.

Where the income tax assessment on a business is under Case 1, no special considerations would seem to arise; it is assessable to National Defence Contribution and the matter is settled. But where it is under Case 5, on remittances, e.g., the "Egyptian Hotels" type of case, where the company is an English company but arrangements have been made to have management and control abroad other considerations arise. A Corporation Profits Tax case arises there. The expression is "trade or business carried on by persons ordinarily resident in the United Kingdom." The Corporation Profits Tax provided for tax on "profits of a British company carrying on any trade or business." I think it is impossible to draw any distinction between those two terms except that the National Defence Contribution is not limited to companies but brings in individuals. Therefore the Corporation Profits Tax cases become relevant as to what happens in those cases which, by reason of the adoption of the "Egyptian Hotels" method, have escaped taxation under Case 1. There is the *Alianza* case, where a British company conducted a business in Chili and arranged for it to be managed in Chili. It did everything to make it like the *Egyptian Hotels* case, and was successful in avoiding Case 1 assessment for income tax. Then the Inspector of Taxes came along and said: "It is all very fine, but you have not yet escaped the Corporation Profits Tax which is laid on the profits of British companies carrying on any trade or business." The provisions did not say anything about control. In the end it was held that the *Alianza* Company, although it had escaped Case 1, had not escaped C.P.T., but was liable to pay, and I have very little doubt that the same position will obtain in regard to the National Defence Contribution. Those companies that, by reason of their adoption of the *Egyptian Hotels* method, escape income tax assessment under Case 1, will still find themselves "shot" in relation to N.D.C. unless they invent something else which at the moment is not above the horizon.

Exemptions—Professions.

The term "all trades or businesses carried on in the United Kingdom or carried on abroad by persons ordinarily resident here" is subject to certain specified exemptions, the first of which is professions. There was, of course, excellent reason for exempting professions from the provisions of the original N.D.C. People who follow professions do not benefit much by rearmament expenditure and therefore should not properly be hit by a tax which is designed to absorb such profits, nor could they have a capital standard; further there would be difficulty in distinguishing between professional men in practice and their fellows in employment.

The Excess Profits Duty exemption carried a clause in relation to professions which is omitted from the N.D.C. legislation. It related, you will remember, to there not being any substantial capital investment involved,

and E.P.D. had a capital standard calculation which could not be applied. That, therefore, does not come into the present provisions.

The Act states: "The carrying on of a profession... shall not be deemed to be a business." What is a profession? This is a question of fact, of course; the word is not capable of any precise definition by reference to the dictionary. The test suggested by the Act is whether the profits are "dependent wholly or mainly on personal qualifications."

There is an Excess Profits Duty case of a company in which there were three naval architects who were engaged in the practice of their profession, which was admittedly a profession. They combined together, joined forces and formed a little company of which they were the three directors, the three shareholders and everything else. They said: "The company is now carrying on a business which we carried on before, which was a profession; therefore the company is carrying on a profession." Unhappily the Court did not agree with them. The Court said that the qualifications for carrying on a profession were personal qualifications and it could only be carried on by persons. It was therefore held that the company, while it was doing the work of naval architects, which was a profession, was not itself capable of carrying on a profession and was therefore liable to Corporation Profits Tax.

These are the important words. The Judge said: "The company is not carrying on the profession of a naval architect because it is of the essence of the professional quality that the profits should be dependent upon the personal qualifications of the person by whom the profession is carried on," and as personal qualifications are qualifications of a person they could not be attributed to a company.

The case of *Currie v. Commissioners of Inland Revenue* was the one about which Sir John Simon made fun in the House of Commons. He said: "There was one case as to whether a man was to be regarded as belonging to a learned profession if his occupation was advising people how to avoid income tax." Mr. Currie was an income tax expert, and he conducted an Income Tax Repayment Agency. He did not belong to any professional body. He claimed he was not carrying on a business but was a professional man. Scrutton, L.J., said: "I myself am disposed to attach some importance in finding as to whether a profession is exercised or not to the fact that the particular man is a member of an organised profession with a recognised standard of ability enforced before he can enter it and a recognised standard of conduct enforced while he is practising it." You will observe at once the kind of societies to which those observations apply. They are obviously professional people; they enforce a standard of ability before they allow you to call yourself by their distinctive name, and insist that you shall practise in accordance with the standards of conduct which they set up. They come within the meaning of the Act.

Now the question arises as to whether a man may carry on a profession and a business at the same time, and if so, what happens. On that matter we have the case of *Maxse v. Commissioners of Inland Revenue*. Mr. Maxse was the editor and also the publisher of a journal that, in its day, was famous, called "The National Review." He wrote a good deal of it himself, he edited it himself and then, having done so, was its publisher. Therefore he said: "I am exercising my profession as a journalist and accordingly am not liable to pay Excess Profits Duty." Obviously he had been making excess profits. However, the Revenue took him to the Courts and it was held that his revenue must be split, his occupations must be severed. You must find two sorts of

profits in that man's occupation. In so far as he was exercising the profession of a journalist and editor he was not liable to Excess Profits Duty; in so far as he was exercising the functions of a publisher he was. There may be cases under N.D.C. as there were under E.P.D., in which you have to split a man's income and say: "In so far as he does so and so he is a professional man, and in so far as he does something else he is conducting a business."

There is a certain class of people who would come under the provisions relating to members of an organised society but whom the Inland Revenue Authorities desired to keep out; therefore in sub-sect. 3, sect. 19, they said it should not be regarded as a profession if the business was that of making contracts for others or giving advice in relation to contracts. Gentlemen who are members of that august professional body known as the Stock Exchange might otherwise claim that they were engaged in the practice of a profession, but the Revenue Authorities said "You are engaged in making contracts between certain other people and therefore must pay." Similarly insurance brokers are liable.

Exemptions—Statutory Undertakers.

The next exemption relates to statutory undertakers who are either local or public bodies, corporate bodies or persons conducting a business and precluded from making or distributing excess profits above a specified rate. They are folk engaged in certain supply services, water, gas and canal companies, &c. They are divided by the Act into two classes: either (a) local authorities who are rendering such services, or others, who are (b) limited as to the rates of charge—such cases, I imagine, as railways, who are limited by enactment as to the rates they may charge—or who (c) are limited as to the rate of dividend they are able to pay, such as certain electricity companies and possibly the London Passenger Transport Board.

There again is an interesting case where the Authorities have learned something from the Excess Profits Duty, for they provided that to obtain exemption these bodies must be "engaged wholly or mainly" in the exercise of that particular activity. They had in mind a certain famous case—*C.I.R. v. British Insulated and Helsby Cable Company*. That company, in addition to its ordinary work as a cable company, supplied electricity to a few cottages round about its premises. It was limited as to the charges made to those people. The company said, "We are statutory undertakers and we are limited in our charges." The Corporation Profits Tax did not contain a clause about "wholly or mainly" and the company was, in fact, a statutory undertaker and escaped liability. Accordingly the Revenue Authorities have brought in the clause "wholly or mainly," which will now allow you to argue as to what constitutes "wholly" and what constitutes "mainly," and which are the cases to which that clause does not apply.

Other Exemptions.

Exemption is extended to the B.B.C., Trades Unions, Friendly Societies and charities in so far as they are exempt from income tax; also to certain businesses which may be established in special areas—that is, the distressed areas—where the Commissioners certify to the Treasury that it is desirable the businesses should be exempt and the Treasury agrees to exempt them.

(2) THE ANNUAL COMPUTATION.

So much for the tax itself and the subjects of charge. Let us now turn to the annual computation of profits chargeable. I think we can now get along more rapidly as we are all familiar with income tax and the income

tax provisions are the basis here. The Act provides for a new division of taxpayers; there are now three classes instead of two. First of all there is the public company type in which Directors do not hold the controlling interest. There is no definition of "control" in the Act, but if you turn to the Excess Profit Duty and the Corporation Profits Tax you will find certain cases. Broadly the effect of them was to arrive at the common-sense conclusion that "control" meant the ability to control the voting in a General Meeting.

Secondly there are companies which are under the control of the Directors, and thirdly there are sole traders and partnership firms.

The general principles of the computation of the liability to tax are pretty clear. They are based upon the provisions for Case 1 of Schedule D and the ordinary trading periods and annual accounts of the business. With these we have a fair amount of familiarity, and I will only refer to some exceptions from them. You have normally to take the trading periods of the business. The first chargeable accounting period will be an apportioned period unless the company's year ended on March 30th. Suppose it ended on September 30th, the account for the year to September 30th, 1937, will have to be split, part of it being liable and part not liable. Normally the division in such cases will be on a time basis, but it should be noted that the Commissioners have power to vary the basis, and it may very well be desirable in some businesses which conduct seasonal trades to ask for this. If the bulk of their business is in the winter season and they make up their accounts to September, you, as an accountant, may desire to put forward to the Revenue Authorities some other basis than a time basis—possibly to base the computation on turnover—and it is within the power of the Commissioners to vary the method.

In regard to the remaining periods, there will be no difficulty where accounts are made up annually from year to year. In other cases the Commissioners have power to determine a period not exceeding twelve months.

Adjustment of Income Tax Computation.

Let us now consider adjustments. The tax is based on Case 1 of Schedule D of the income tax, subject to certain revisions which are mainly due to the fact that the principle adopted in income tax of collecting the tax at source wherever possible does not apply to N.D.C. When you pay interest, or royalties or ground rent, you deduct tax from the amount so paid; you collect tax on behalf of the Inland Revenue. Therefore the computation has to be so adjusted as to enable the Revenue to collect the amount. That does not apply to N.D.C. which is assessed directly on the business and the incidence is completely on the business. Profits will therefore be adjusted by including annual payments out of the profits which are disallowed for income tax.

Wear and Tear.

Then there is the question of Wear and Tear. Again there is an allowance by special provision in the Act. "There may be deducted in respect of any accounting period a sum which represents the diminution in value by reason of wear and tear during that period of any plant or machinery" calculated on the same basis as the income tax allowance therefor under Rule 6, Cases 1 and 2, including the 10 per cent. increase given in the Act of 1932, sect. 18.

"During that period," for income tax the allowance is for the period from April 6th in one year to April 5th in the next year. Unless the company's accounts are made up to that date it will be necessary, for N.D.C., to split the income tax provision. Suppose your year of

account ends on June 30th, 1938; you will take three-quarters of the wear and tear allowance for 1937-38 and one-quarter for 1938-39. You are not bound to that particular division, and if it should happen that additions make it desirable in some cases that another basis of allocation should be taken, there is nothing in the Act to prevent a claim on other than the time basis being put forward. Obsolescence will be claimed for N.D.C. as for income tax.

Uncompleted Contracts.

There is one provision which relates to uncompleted contracts—contracts that extend over more than one accounting period. Supposing you are building a bridge, that your clients have a contract to rebuild Waterloo Bridge, or to put up a big building, which will take several years. For income tax it is quite clear that in the case of uncompleted contracts you need not bring in any of the profit until you have actually realised that profit at the end. That is dealt with in the case of *Hall & Co. v. The Commissioners of Inland Revenue*.

But for Excess Profits Duty and the Corporation Profits Tax, and it is carried over into the new legislation, there was to be "attributed to each accounting period a proportionate part of the entire profit or loss which it is estimated will accrue from the whole contract." The basis is to be the extent to which the contract is performed in the period in question. That provision will probably only be invoked where contracts are large, but it is important to notice it because it may help you in the first broken period. Supposing you have completed some big contract in your first period, you will have the whole of the profit in the first accounts and whilst it is there that it will be assessed for Case 1 of Schedule D, you will go to the Revenue Authorities and say it is not all applicable to the N.D.C. accounting period. There is a provision to allocate the profits over the period, and the greater part of the profit of that large contract belonged to an earlier period. If you had rebuilt Waterloo Bridge and made £1,000,000 profit, you would say that it ought to be spread very widely over the five years before and that only a small part should be brought into your first accounting period for N.D.C.

Dominion Income Tax.

Then there is in regard to the treatment of Dominion income tax, another variation from income tax practice. In the Finance Act of 1920 relief was given in respect of such taxation as far as possible against British income tax otherwise payable. Therefore it was not allowable as an expense in the account. For N.D.C. the appropriate Dominion income tax is allowed to be treated as an expense.

Management Remuneration.

There is also the special matter of management remuneration which will need thought and care. In companies where the Directors have no controlling interest their remuneration will be chargeable for N.D.C. and that will be an end of the matter. But you will notice the special definition of "Directors" for the purposes of this Act, which includes the holding of not less than 20 per cent. of the ordinary capital. That must be borne in mind throughout.

With regard to the second class to which I referred—companies under the control of the Directors—in such cases the Directors may fix their own remuneration effectively, with the result that you can conceive of companies where, if there were no special provision, the whole of the profits would be absorbed in remuneration paid to the Directors and there would be nothing to assess to N.D.C. But the Revenue say "That will not do at all; you are not only paying genuine remuneration

but you are making an allocation of profits"; consequently they set out to find some way of preventing companies from doing it, and they have done it by making a rough and ready statement as to what is "reasonable remuneration." They leave out whole-time service Directors and treat them as employees.

A whole time service Director is what his name suggests, plus the condition that he must not hold more than 5 per cent. of the ordinary capital. His remuneration is chargeable and is not to be included in the special provisions as to "Directors' remuneration." With regard to the others, the permissible deductions are limited and are not to exceed £1,500 per annum where profits, before deduction of Directors' remuneration, do not exceed £10,000. Therefore if you pay the Directors more than £1,500, the balance will be disallowed. If the profits fall between £10,000 and £100,000 you may pay them up to 15 per cent. while if the profits exceed £100,000 the Directors may be paid up to £15,000 per annum. Any amounts in excess of those will be added back for purposes of N.D.C. as being in reality a distribution of profits. You must remember, too, that that is not a stipulated amount. If the remuneration the Directors get is less than those figures the smaller amount represents the allowance.

There is a reference to 20 per cent. of the capital in one place and 5 per cent. in another. You should note that these are holdings by the Director himself and it does not appear that the provision in the sur-tax rules as to holdings by his wife or family have any reference, but it is a "beneficial" holding.

Then there is a special provision in relation to sole traders and partnerships. Normally in those cases there is no charge in the accounts for the remuneration of the owners, but it is provided that for N.D.C. they may claim that their business shall be treated as a private company. That is to say, they may be allowed the highest sum that could be claimed by a company in their circumstances as management remuneration, irrespective of whether there is any remuneration in the accounts or not. In that case they pay at the company rate of 5 per cent. instead of 4 per cent. If the profits are less than £9,500 it will pay them to take advantage of that option. £9,000 profits, less the abatement, £600, will give an assessment of £8,400, which at 4 per cent. will be £336. If they claim management remuneration of £1,500 they will then pay tax at 5 per cent. on £6,600, which is £330.

You must remember that where there are only small profits the allowance of £1,500 may bring them below the exemption point or be effective in creating or increasing the losses to be carried forward. The notice claiming this option must be renewed each year and within one month of the end of the accounting period. Apparently, therefore, you can change your mode in every successive year out of the five if you find it advantageous to do so.

(3) THE TAX PAYABLE.

Now as to the tax payable. Having arrived at the figure of profits for the year, you have to consider on what figure to calculate your tax.

Losses.

The first thing to carry in mind is the provision with regard to losses. I am not going into this in detail, because it is dealt with fully in the very excellent supplement to the *Incorporated Accountants' Journal* for November, which is, I think, the best study which has yet appeared of the provisions of the Act. It goes into detail and gives examples of how loss calculations are worked out.

Broadly, you will remember that for income tax purposes losses could be treated in three ways: you may set them

off against tax chargeable under any other schedule and claim a repayment under sect. 34; you may set them off against the profits of a distinct trade under rule 13; or, thirdly, you may carry them forward under a provision of the Finance Act, 1926 (sect. 33), extended by the rules in regard to wear and tear in the Act of 1932, sect. 19. Any part of your past losses which has been absorbed, either by repayment or set-off, cannot be further used. Any part that is available and that you are carrying forward for income tax purposes is available for deduction in respect of the profits chargeable for N.D.C.

The effect of the provision is, first of all, that if the computation shows a loss for N.D.C., either for the broken period or for one of the whole periods, you cannot recover tax upon it, but you can carry it forward and deduct it from any subsequent profits. Supposing you pay N.D.C. for the first year and then have a loss for the second year. You cannot reclaim anything. You carry the loss forward and you may get it allowed off subsequent profits. In this respect it is unlike the Excess Profits Duty. If, in fact, N.D.C. comes to an end at the completion of five years, any losses in the last year will not be claimable against anything. Losses before the first period entering into N.D.C.—that is to say, where the year ends, for instance on June 30th—computed for Schedule D, for five years previously are available for offset against profits in the N.D.C. periods. There is no equivalent to income tax Rule 13, and you cannot, therefore, set off profits in one business against losses in another except in the special cases of subsidiary companies. You must remember, too, the special provisions in regard to partnerships, where the share of statutory losses attributable to each partner is carried forward and dealt with separately in the same way as in sect. 34 income tax claims. It follows, therefore, that if one partner retires or dies, the portion of loss attributable to him which has not been absorbed is lost.

I will not go into the provisions regarding wear and tear. They also are discussed fully in the booklet mentioned.

Exemption and Abatement.

The exemption and abatement provision is that profits up to £2,000 are exempt from the tax. That does not mean there is a flat rate of £2,000 allowed; it only means that if your profits are less than £2,000 you are exempt. Between £2,000 and £12,000 there is an abatement of one-fifth of the difference between the two. After that the calculation has an attractive simplicity; it is 5 per cent. on companies and 4 per cent. on individuals and partnerships. But if your client is a Building Society there is another consideration to be borne in mind. You will compute its profits in the ordinary way, taking advantage of any exemption or abatement. Having worked out the figure at 5 per cent. you take the profits which arose, before abatement, add back deductions for interest paid on money borrowed or to depositors, and calculate $1\frac{1}{2}$ per cent. thereon, without benefit of exemption or abatement. The lower of the two figures, whichever it happens to be, is the amount payable.

(4) SPECIAL MATTERS.

There are a number of special matters to which you should give close attention.

Subsidiary Companies.—Provision is made in the scheme of the tax for the now fashionable method of group working. This is a method of artificially splitting a business into a number of departments, each separately incorporated, or possibly, the taking over of previously existing businesses and the retention of their company form. Substantially, one business is conducted in one ownership, but several separate incorporated companies

are used, and it may very well be that the holding company does not trade itself but provides finance and receives dividends.

In these cases the taxpayer has an option; he may either (a) retain the businesses as separate entities for N.D.C. purposes and claim exemption and abatement in respect of each business separately, or (b) he may amalgamate the results, so setting off losses in one company against profits in another, but losing the advantage of separate exemption and abatement allowances. The taxpayer need not necessarily treat all the companies, where there are a number in a group, in the same way; he may amalgamate some and leave others outside for separate N.D.C. assessment.

The conditions are that the subsidiaries shall be resident in the United Kingdom (not necessarily incorporated in the United Kingdom, sect. 22 (1)) and that the principal company shall hold beneficially 90 per cent. of the Ordinary Share Capital. Notice of the desire to amalgamate must be given within two months of the close of the first accounting period to which it is intended to apply, or in the case of the first period, within two months of the passing of the Act, that is, by September 30th, 1937, and it must be remembered that the option to amalgamate is exercised once and for all. It is not capable of revocation, but applies for the whole period of the tax unless, of course, the "subsidiary" should at any point cease to be a subsidiary within the meaning of the Act. The decision as to which course should be adopted is, therefore, in the nature of a gamble.

The position with regard to subsidiaries incorporated abroad would seem to be that if they are controlled and managed in the United Kingdom they will be subject to N.D.C. and may be amalgamated, otherwise by the provisions of Rule 7 (b) of the Fourth Schedule, the profits of the English company will include any distribution of profits from any other company in which the first company has a controlling interest and which itself, by reason of its foreign domicile and control, is not subject to N.D.C.

Investment Companies.—By the Finance Act of 1936, sect. 20, Investment Income is defined as income which, if the company were an individual, would not be "earned." Investment income received by traders or companies outside their main business is not subject to N.D.C., which is levied on business profits and is expressly exempt by Rule 7 of the Fourth Schedule, but where the business consists wholly or mainly in dealing with or holding investments or other property, the income must be returned for assessment to N.D.C., except to the extent to which it consists of dividends from companies themselves assessable to N.D.C. Debenture interest is not a dividend and will, therefore, be chargeable to this tax, so also will dividends from statutory undertakers, unless the company controls the statutory undertaker, and foreign dividends as well. An investment company, therefore, receiving (a) debenture interest, (b) income from statutory undertakers, (c) income from foreign companies, must pay N.D.C. thereon, although if these were held by the shareholders themselves directly, they would not be subject to the tax, nor apparently would they be so subject if held by a Unit Trust, because such Trust is not carrying on a business. This is another of the anomalies, the company pays because it is a company, which is apparently a relic of the Corporation Profits Tax idea.

Income Tax.—N.D.C. is chargeable as an expense in computing liability to income tax, but there is no permission to similarly charge income tax in N.D.C.

Note should also be made of the new definitions provided in the Act of which "Ordinary Share Capital," "Whole time service Director," "Subsidiary" are examples; of the penalty upon a Liquidator if he should make distri-

bution without providing for the payment of any tax due; of the period within which appeals may be made, and of the bankruptcy priorities.

Discussion.

THE CHAIRMAN: After listening to Mr. Back I have a great deal of sympathy with those who drafted the N.D.C. clauses of the Finance Bill in the very short time in which they had to do it. We see something of the difficulties they had to contend with and also some of the matters that are likely to arise in the Courts before all the doubtful points are settled. I think the lecture we have heard has been a very brilliant analysis of a complicated piece of legislation. Although Mr. Back has cleared up a great many points which must have been in your minds, I am sure some of you will have questions to ask on other matters. The meeting is now open for discussion.

MR. A. CARNEGIE HERON: I have several points I should like to bring up after the very interesting lecture to which we have listened. First, with reference to the statement that the charge falls on separate businesses: does not the Lecturer think that this may result in an increase in the already large number of one-man companies and dummy subsidiaries? Second, with reference to the exemption in favour of professional people, whilst we are naturally unwilling to open any loophole to the Government against ourselves as members of a profession, it does occur to me that accountants are very likely to get an increase in the amount of work they do as a result of the trade boom arising from the national defence programme, especially in the direction of company formations and work of that kind. My third point is in regard to the interesting case of Mr. Maxse, where the splitting up of professional and business activities was made so important by the Court. It seems to me that being the publisher as well as a journalist, when he was required to split the amount he could charge his publishing department an exorbitant fee for his services as journalist. That idea might be extended to many analogous combinations. My fourth and last point is with reference to the inability to use losses brought forward at the end of the proposed five-year period, should the N.D.C. actually come to an end at that time. It seems to me there will be a difficulty in dividing the losses between income tax and N.D.C. The losses would still be capable of being carried forward for income tax purposes, even if N.D.C. ends. How would you be able to distinguish the losses?

MR. BACK: The first observation was that as the charge falls upon separate businesses there is likely to be an increase in one-man companies and dummy subsidiaries. I should think it not unlikely that in some cases a separate department may be incorporated as a separate company. With regard to members of our profession benefiting from the trade boom by getting a certain amount of extra work, even if they do they may find it exceedingly difficult to get an appropriate amount of extra fees. With regard to the third point, I was not the accountant advising Mr. Maxse and so I cannot say whether he charged high fees as a journalist. But I am quite sure that any accountant engaged in splitting amounts between two occupations would be able to give appropriate advice to his client as to what he should do. Then as to losses brought forward at the end of the five years. There will in each year be separate computations for income tax and N.D.C.—separate computations and separate returns—so I do not think there will be any difficulty in ascertaining the amount to be carried forward under each head when one of the two vanishes away.

MR. MACDONALD: In what year is the N.D.C. charged? Is it chargeable against the profits included in the computation of the N.D.C.? Do you have to make a calculation similar to the calculation for commission on net profits to arrive at the income tax which you pay?

MR. BACK: For income tax profits are, of course, assessed in the following year. The profits shown in the accounts for a year ending December 31st, 1937, are assessed for the year 1938-39. That does not apply to N.D.C., which

is assessed directly upon the year in which the profits arise.

MR. W. NORRIS SMITH: You did not mention the special clause disallowing any deduction which may artificially reduce profits for N.D.C. purposes. That clause seems to stop up any loopholes which may exist for tax-evasion, such as dummy subsidiaries and the like.

MR. BACK: There is a clause disallowing artificial transactions, but I imagine it will not be difficult in most cases to prove that the transaction is not quite as artificial as it at first appears, e.g., there may be good reasons for separately incorporating a department.

MR. SMITH: Then it does not seem to have such a wide significance as one would imagine?

MR. BACK: We are familiar with it already in the Finance Acts in regard to surtax and it seems not to have been invoked very frequently. There were, however, one or two E.P.D. cases on the matter.

MR. A. BIRCH, Incorporated Accountant: Suppose a director who controls a company transfers his holding to a separate company and holds the control of that separate company. He then owns no shares in the company of which he is a director—the first company. Is he thereby a whole-time service director or is he a beneficial owner of more than 20 per cent.?

MR. BACK: That would depend upon the way he transferred his shares and his relation to the first company. If he transferred them for good consideration so that they became the property of the trust company, paid for out of its money, he would no longer be the beneficial owner of the shares and would no longer hold the control he previously held. Otherwise he would be in the position of having put the company in as a nominee and would still be the beneficial holder of the shares in question.

MR. L. A. HALL: With regard to the option of a partnership to deduct £1,500, is that the option of each partner or is only one amount of £1,500 deducted?

MR. BACK: The optional basis is taken by the partnership and it is the calculation of what amount would be available if it were a private company and the partners were the directors of the company. They are then able to charge such a sum as they would be able to charge if they were a private company. The amount in the appropriate instance would be £1,500 altogether—not each partner.

MR. W. C. C. SMITH, Incorporated Accountant: A very important point which Mr. Back mentioned is that regarding the question of bringing in a proportion of the profits on uncompleted contracts. Could he enlighten us as to how that would be arrived at? I can see great difficulty in arriving at the figure of profit on an uncompleted job to be brought in for N.D.C. purposes. Could he give us any indication of how the Revenue would get at such a figure?

MR. BACK: It is a question of fact and would have to be determined on the basis of whatever facts are available. The idea is that profit is being earned during the whole time the work is in hand and the profit ultimately anticipated would be split in accordance with the amount of work done towards the completion of the contract in each period. But it is quite obvious there would be a number of openings for a variety of disappointing anticipations in regard to a contract extending over, say, five years, and profit anticipated might fail to materialise in the fifth year and in the end you might have no profit at all. The Act does not give you any guidance other than that you have to do the best you can to split the profit which you anticipate in accordance with the amount of work done in each period.

MR. T. G. FORESTER: Would Mr. Back please distinguish between contracts entered into by solicitors and those entered into by stockbrokers?

MR. BACK: Solicitors are practising a profession and are therefore not liable to N.D.C. Stockbrokers are, by the terms of the Act, liable to N.D.C. and would not be able to claim exemption. I do not think any difficulty would arise in distinguishing them. One is actually a profession within the meaning of the Act and the other

is simply a business—if you like to call it so—in which they arrange contracts between other parties. They are therefore hit by a specific clause in the Act.

On the motion of Mr. Hussey, a hearty vote of thanks was accorded to the Lecturer. A similar compliment was also paid to the Chairman.

WEAR AND TEAR ALLOWANCES.

The Board of Inland Revenue intimate that the following addition should be made to the list supplied by them of rates of wear and tear allowances on plant and machinery for income tax purposes which appeared in our issue of October last :—

COTTON SPINNERS AND MANUFACTURERS: EXPENDITURE ON ADAPTATION OF PLANT AND MACHINERY.

Expenditure upon adaptation of plant and machinery in the cotton industry arising out of the introduction of the "more looms per weaver" system can usually be classified under the following headings :—

- (1) New shuttles and shuttle stands.
- (2) New pulleys.
- (3) Spare cloth rollers and brackets.
- (4) Warp stop motions.
- (5) Weft stop motions.
- (6) Shuttle boxes extended.
- (7) Sley repairs and renewals.
- (8) Fitting two box motions.
- (9) Pick and pick motions.
- (10) Conversion of ordinary looms to circular box looms for weaving ordinary cloths.
- (11) Pick counters.
- (12) Alterations to ring spinning frames (new ring rails).
- (13) New ring bobbins.
- (14) Alterations to mule frames to make larger cops.
- (15) High speed drafting (for use in cheaper cottons).
- (16) Re-winding machinery.
- (17) Automatic weft feeding attachments.

It has been agreed that the outlay in question should, subject to the approval of the Commissioners concerned, be dealt with in the following manner :—

- (2) *New Shuttles, &c.*; and (13) *New ring bobbins.*

Outlay under these headings may be dealt with as if it represented expenditure on further supplies of the ordinary type; surplus stocks of the old type may be allowed to lapse from the stock figure.

- (7) *Sley repairs and renewals.*

In view of the difficulty of distinguishing between outlay under this heading arising in the ordinary way and outlay arising in connection with the adaptation, the whole may be regarded as revenue expenditure.

- (16) *Re-winding machinery.*

These machines are complete and separate and the normal rate of wear and tear for process plant is to be applied.

All other headings.

The outlay is to be regarded as capital expenditure, but a special rate of wear and tear allowance, *i.e.* 12½ per cent. on written-down value, is to be applied for the first five years following the date of the outlay. The balance remaining is then to be treated as process plant, on which the ordinary rate (normally 7½ per cent.) is to be allowed unless some further arrangement is then made.

Incorporated Accountants' Birmingham and District Society.

ANNUAL DINNER.

The Annual Dinner of the Incorporated Accountants' Birmingham and District Society was held at the Queen's Hotel, Birmingham, on November 19th. Mr. Arthur W. Watson, President of the District Society, was in the chair, and the company included the Lord Mayor of Birmingham (Councillor Ernest R. Canning, J.P.), the Earl of Dudley, Lord Austin, Mr. Percy Toothill (Vice-President, Society of Incorporated Accountants), Sir Patrick Hannon, M.P., Wing-Commander J. A. Cecil Wright, M.P., Councillor Walter F. Higgs, M.P., Mr. E. W. Salt, M.P., Colonel J. Baldwin-Webb, M.P., Sir B. J. T. Ford and many other distinguished guests.

SIR PATRICK HANNON, submitting the civic toast, offered a cordial welcome to the new Lord Mayor of Birmingham, wishing him fullness of health, vigour and inspiration in maintaining the traditions of the city during his arduous and responsible term of office. He had always maintained that there was no community in the world which compared in character and in exalted conception of civic duty with the citizens of Birmingham. The city, in the vanguard of progress always, had established an airport in its immediate environment. In Parliament, that week, it had been agreed to appoint a Commission of Enquiry into the administration of our civil air services. He hoped that full consideration would be given to the peculiar facilities offered by that great enterprise on the part of the city and that there would be substantial recognition by the State in relieving the rate-payers of as large a part of the responsibility for the site as possible. He believed that Birmingham had the most highly organised and efficient health service of any municipal community in the land. Referring to national affairs, he looked forward to the future with confidence and hope for two reasons. In the first place he believed that the calm and clear judgment of the Prime Minister would guide the country to the establishment of permanent peace in the world. (Hear, hear.) Secondly, he maintained that every aspect of our national affairs, economic and social, justified confidence, and that as soon as we had adjusted our relations, as he believed they were in steady course of adjustment, the commercial and industrial community, with whom the great accountancy profession was so intimately associated, might look forward to years of security and success. (Applause.)

THE LORD MAYOR OF BIRMINGHAM, responding to the toast, recalled that when the proposal for the establishment of an airport came before the City Council he happened to be chairman of the Finance Committee. The views which he held were overruled, he said, but he still felt that they should have said to the Government, "We have bought the land, we are ready to go ahead, but civil aviation is such that we think you ought to afford, not only Birmingham but other cities, aid towards our enterprise." He thought the citizens were rightly proud of the local health services. The Municipal Bank was a wonderful enterprise in which the citizens were really interested. There were over half a million depositors, representing one out of every two of the population of the city. It was a curious coincidence, and a matter of interest, that in 1885, when the Society of Incorporated Accountants was founded, the Birmingham Chamber of Commerce was reporting to a Royal Commission on the growth of great businesses and their recent transformation into private limited companies. The attention of

the Royal Commission was directed to the huge number of small men who took a house and started to work in the top room. He wondered how many firms in the city to-day, of world-wide renown, began in such humble circumstances. That was fifty years ago, but it remained true of Birmingham, with its peculiar adaptability in the fashioning of metals, that men could start in a small way. For his own part he believed that the day of small businesses was by no means ended. Naturally, with increased development, there was a growth of accountancy and it was a further great testimony to the stability of British business that the Society had attracted men of ability and integrity to enter the profession. He would like to mention in passing that he had a foot in each camp, because on his own board of directors he had two men, one belonging to each branch of the profession. Although during the past six years he had been connected with City finance, the Society's standards of examination were such that he could not pretend to pass. He noticed that out of 7,000 Incorporated Accountants throughout the world, 300 were in Birmingham, and such importance was attached to finance in the civic administration that important posts were filled by 19 of the Society's members. Of those, 17 were members or ex-members of the Treasurer's Department, and they included the City Treasurer, the Deputy Treasurer, and the Chief Accountant. With a turnover of 19 millions a year and with trading departments having a capital of 39 millions, it would be realised that the more men of proved business capacity who could be attracted to the City Council the better. Their profession could help very materially. The City Council included only one Incorporated Accountant out of 136 members, and he was very pleased to see that he was present that night. They had just asked him to serve on the Finance Committee. They would welcome the addition of further Incorporated Accountants. He hoped the Society would continue to prosper and add to its membership from year to year. (Applause.)

WING-COMMANDER J. A. CECIL WRIGHT, M.P., proposed the toast of "The Society of Incorporated Accountants." He emphasised the necessity of the accountancy profession to the practical business man if he was to attain any real measure of prosperity. When one looked back on the tremendous improvement in the technique of business management and control that had taken place since the war period, one must realise the great part that had been played by the Society and by the profession in general in achieving that improvement. Side by side with that improvement there had been a tremendous measure of advancement inside the profession. Gone entirely were the days when business men looked upon their auditor as a rather irritating and meddlesome policeman. That position had entirely changed and to-day the relationship could be more nearly likened to that of a trusted and confidential doctor. Not only had they assumed the position of the general practitioner, in that they were capable of diagnosing their clients' ills, but they had also assumed the more important part of the highly trained specialist who could probably point out the cure, or at all events lend a considerable aid in enabling them to secure that cure. He considered that to-day the profession had a greater opportunity of exercising an influence for good, and of helping the continuance of the prosperity which was returning to the country, than ever before. Only a few months ago it was being said that we were bound to have prosperity for at least some years if only on account of the rearmament programme. The rearmament programme had barely started and yet people who should know better were talking as though we were at

the commencement of another crash and crisis such as occurred in 1931. It was up to all of them to stop this foolish talk. He appealed to them to exercise their very great influence to encourage people to regain the confidence which some of them seemed to be in danger of losing. (Applause.)

Mr. PERCY TOOTHILL (Vice-President of the Society of Incorporated Accountants), who replied to the toast, thanked Wing-Commander Wright for his kind references to the profession. He apologised for the absence of the President of the Society, Mr. Walter Holman. As many of them were aware, Mr. Holman had only returned to England after quite a long visit to America, where he had attended the jubilee celebrations of the American Institute of Accountants, and he had found it quite impossible to attend the dinner. Mr. Holman desired that his sincere regrets should be expressed and at the same time sent his best wishes for the future success of the Birmingham and District Society. It was not his intention, Mr. Toothill continued, to speak on the general policy of the Society but he would like to make a brief reference to its benevolent activities. The Benevolent Fund was started in 1892 by subscriptions, donations and legacies, but in order to accumulate a capital fund it was necessary to provide that the trustees should not distribute in any one year a sum in excess of the amount received in the previous year from subscriptions and dividends. Legacies, life subscriptions and donations all went to the capital fund. The ambition of the Trustees was to accumulate a sufficient fund to yield a substantial increase from dividends so that they would have additional funds for necessitous cases. He was happy to say that there were not a large number of cases, but the Trustees would like to have a larger sum available for distribution in order to make more adequate grants to the dependants of members who had either passed on or fallen on evil times. He commended the matter to the careful consideration of members, expressing a hope that many of them would be inclined to send the small subscription of 10s. 6d. at once or include it in their cheque when they forwarded their annual subscription later on. The National Defence Contribution was now beginning to come into operation. It gave him great pleasure, recently, to read that Sir Geoffrey Clarke, in his presidential address to the Association of British Chambers of Commerce, at Manchester, made reference to the special committee appointed by the Association, which was largely responsible for the withdrawal of the original proposals. Sir Geoffrey paid a particular tribute to the members of that committee. Chief among them were Mr. Henry Morgan, a past-President of the Society, and Mr. Stuart Allen, a member of the Council. He was also pleased to find that a similar compliment was paid by Sir Leonard Coates, President of the Bradford Chartered Accountants. It was gratifying that the efforts of the Society's members were so fully appreciated. He would also like to call attention to another excellent piece of work which had recently been done by two members of the Council—Mr. Stuart Allen and Mr. Bertram Nelson—in writing a pamphlet on the National Defence Contribution, which had been published during the month. They were greatly indebted to the authors for the time and care which they must have expended in the preparation of the pamphlet. The town of Birmingham was incorporated in 1838, so that it would be celebrating its one hundredth birthday next year. Birmingham had been called the city of 1,500 industries. But it was remarkable not only for the many industries carried on in the area but for the fact that to a very large extent they were businesses of medium or small size. He was not suggesting that there

were not large scale businesses in the city. It would be ridiculous to make such a statement in the presence of so many important industrialists. He was sure Lord Austin would not think he was overlooking the magnificent factories at Longbridge if he, nevertheless, maintained that it was the small scale business which was the foundation of Birmingham's prosperity. If Lord Austin was an advocate of the small scale car he was certainly no exponent of the small scale business. The fact, however, that businesses in the Birmingham area were in the main of medium or small size, suggested a number of considerations to those engaged in the accountancy profession. Experience showed that while the large scale business generally took the fullest possible advantage of the accountant's services and of the latest developments in his technique, the business working on a smaller scale did not make as much use of the accountant's services as would be justified by results. He had no doubt that every accountant in the room had seen so-called accounting books kept by unqualified persons which did not merely fail to explain how a business was faring, but actually retarded its development. He suggested that if the small scale business made full use of the accountant there would be a very appreciable gain in the actual results. There was one particular way in which the accountant could render greater help, and that was in the application of costing methods. This development of accountancy technique was a valuable aid, in fact an indispensable aid, to the well-run business, for in no aspect of accountancy did they stand still. Their profession was dynamic and not static and was bound up with a world that was constantly changing. Costing, perhaps, as much as any other part of the accountant's work, was a subject which was growing and of which the business man who was in keeping with the times must make the fullest use. He would also like to refer to a great recent development, and that was the increasing importance of machine accounting. This was a development of which it might perhaps be said that accountants were not sufficiently aware. It behoved them to investigate more closely the functions and applications of machines. It was highly desirable that trained men should study the machines and discover where, and in what degree, their installation could be of advantage. This was a function which was only possible to qualified accountants and he hoped that Incorporated Accountants would play their part. (Applause.)

COUNCILLOR WALTER F. HIGGS, M.P., proposed the toast of "Trade and Industry." He said that in the absence of a specialist to run an industry the best possible man to appoint was an accountant, because he had a general knowledge. He did not specialise in any particular line, but his one aim was to see that the industry made a profit. Reference had been made to the possibility of a slump. He did not believe that there was going to be one. For the moment we had got "slump mania" and the sooner we recovered a proper attitude towards the position of industry the better. As a great exporting nation he did not consider that we were attending to the necessity for export trade as we should; many opportunities were being missed. In his view industrialists could do more for themselves than any Government could do for them. Government activities were relatively small compared with what those in industry could do for themselves.

The EARL OF DUDLEY, in acknowledging the toast, said he subscribed to the view expressed by other speakers that the danger of a relapse in our prosperity was not, at any rate, imminent. He attributed the country's present position to the innate genius and virility of

British industrialists the world over, employers and employees alike. He agreed that accountants had played no small part in our recovery. He had always been a Free Trader, in the truest sense of the word, as was every business man. He hoped to see tariff barriers broken down, but on a really reciprocal basis. In his opinion such questions ought to be examined in a modern scientific light. He believed that the forthcoming Anglo-American pact would open the way in this direction. He welcomed a rearmament Britain because for too long, he thought, our traders in the outposts of the world had failed to enjoy that dignity which their forefathers enjoyed. In his opinion that was to a large extent due to a Britain which was weaker in policy and in armaments than that to which the trading world had been accustomed for many a century. He hoped that it would be the policy of whatever government held office in this country to ensure that the great heritage of trade in every corner of the world, which had been left to us by the genius, the wealth and indeed by the blood of our forefathers, was not in any way diminished.

The CHAIRMAN, who was very cordially received, submitted the toast of "Our Guests." He thanked Lord Dudley, who had this year added to his many responsibilities that of being President of the Birmingham Chamber of Commerce, for accepting the Society's invitation and spending the evening with them. To Lord Austin he also offered warm thanks. Lord Austin, he said, always took an interest in their dinner and only that day had telephoned to the Secretary to enquire if there was anything he could do to make it a success. Never before in the history of the District Society had they been able to welcome five members of the House of Commons, as it was their pride to do that night. They were glad to have at their board, too, the Mayors of Coventry, Warwick, Droitwich and Smethwick. They were favoured with the presence of the President of the Law Society, Mr. L. Arthur Smith, together with the secretary, Mr. G. C. Barrow; Mr. Registrar Glanfield was also their guest. He was always glad to be associated with lawyers. His personal experience of lawyers was that when any question of figures arose they sent for an accountant because so few lawyers understood anything about figures. (Laughter.) Education was represented by their old friend Dean Smalley-Baker and Mr. E. T. England, Headmaster of King Edward's School. They were also happy to have present the President of the Midland Auctioneers' Institute, Alderman Frank H. Jones, and the President of the Birmingham and District Society of Chartered Accountants, Mr. E. N. Newman. They were on very friendly terms with the local society of Chartered Accountants, and they were very happy to work together in anything which was for the good of the profession. The Lord Mayor and others had referred to the activities of the Birmingham Municipal Bank, and he suggested that the officials of the Inland Revenue were exceedingly pleased when Birmingham established the bank, for the reason that under its constitution it was compelled to furnish a record to the Inland Revenue Authorities of the interest credited to accounts. (Laughter.) He had no doubt they had discovered untold wealth. Incidentally, he would like to say how much they appreciated the action of their Members of Parliament in opposing the first proposals for N.D.C. and causing the present scheme to be brought forward, after consultation with representative bodies such as the Institute of Chartered Accountants, the Society of Incorporated Accountants, and Chambers of Commerce. He would further like to suggest to Parliamentary representatives that it would be of advantage if they made a

practice of consulting societies and bodies of the kind on other occasions. It would be of particular service if Parliamentary draughtsmen were included in the arrangement; then perhaps they might get an Act passed which did not need half a dozen judicial judgments and decisions for its interpretation. They were especially glad to have present the Vice-President of the Parent Society, as well as officers of the District Societies.

Mr. E. W. SALT, M.P., replying, emphasised the great importance of accountants in the world of industry. He felt that the wonderful way in which the profession had increased its status was of the utmost value to the country. They knew that accountants were to be trusted and that the many secrets with which they were entrusted were never divulged. As a consequence the employer and the accountant were the best of friends.

Questions in Parliament.

Professional Cricketers and Income Tax.

On November 4th Mr. GROVES asked the Financial Secretary to the Treasury whether he is aware that a rebate is allowed to professional cricketers in respect of their income tax returns so far as the receipts from benefit matches are concerned, but payment of income tax is requested from football players under like circumstances; and whether he is prepared to consider recommending such changes as will place all such persons on an equal footing?

Lieut.-Colonel COLVILLE: The hon. Member is under a misapprehension in thinking that there is any difference in the taxation of professional cricketers and professional footballers. They are both liable on their total emoluments arising from their employment, and benefit money is clearly an emolument if the player is entitled to it under his contract of service. If, on the other hand, a player is given the receipts from a benefit match, not in pursuance of his contract, but solely as an act of grace or by way of testimonial, what he receives is a gift and is not regarded as an emolument liable to income tax. In the case of the cricketer the payment is often of this character, whereas in the case of the footballer the payment is usually contractual.

Industrial and Provident Societies Act.

On November 4th Mr. BELLENGER asked the Chancellor of the Exchequer whether he is aware that recently two property societies have gone into liquidation and a receiver has been appointed for a third; and whether, in view of the unsatisfactory conditions under which certain of these societies operate, he will give immediate consideration to a revision of the Industrial and Provident Societies Acts?

Sir J. SIMON: The answer to the first part of the question is in the affirmative. In regard to the second part, the conditions under which industrial and provident societies operate are under consideration with a view, when opportunity arises, to revising the statutory provisions relating to them as may be desirable.

Share-pushing.

On November 9th Mr. T. JOHNSTON asked the President of the Board of Trade whether he is aware of the widespread circulation of literature by companies supposedly interested in the production of mushrooms, inviting

public subscriptions for the purchase of mushroom beds, guaranteeing a 10 per cent. dividend and a return of the invested capital in full upon six months' notice; that requests by potential subscribers for copies of audited balance sheets and profit-and-loss accounts have been refused on the ground that the companies are private; whether he will himself inquire into the *bona-fide* nature of the transactions; and whether, in any share-pushing legislation, the Government will impose upon private companies of the above character, which invite the public to subscribe, the same obligations as to the issue of prospectuses, balance sheets, and profit-and-loss accounts as are imposed upon public companies?

Mr. STANLEY: I am aware of the invitations referred to by the right hon. Gentleman. The matter is under consideration in connection with the proposals for legislation to give effect to the recommendations of the Departmental Committee on Share-pushing and similar activities.

Mr. JOHNSTON: Is the right hon. Gentleman aware that these supposed guarantees as to repayment of capital and the provision of 10 per cent. interest are not given by the directors of these companies but by the companies as such; is he aware that potential subscribers cannot be informed as to the strength of these companies, and can he, in the meantime, take any steps to prevent the investing public being caught?

Mr. STANLEY: I think the right hon. Gentleman has done great service in giving publicity to this matter. With his views on these particular companies I entirely agree, and as soon as it is practicable to deal with share-pushing in legislation, I hope we shall include proposals to deal with this matter.

Friendly Societies' Accounts (Audit).

On October 28th Sir J. MELLOR asked the Financial Secretary to the Treasury whether, in view of the recent report of the Chief Registrar of Friendly Societies, he will consider introducing legislation for the compulsory audit of friendly societies' accounts by a public auditor?

Lieut.-Colonel COLVILLE: This has been noted as a matter for consideration when an opportunity arises for legislation relating to Friendly Societies.

THE STATIST AND THE INTERNATIONAL CURRENCY SITUATION.

In the Annual International Banking Section issued last month the *Statist* takes a favourable view of the prospects for increasing monetary stability throughout the world. It considers that the stabilisation of the sterling-dollar rate has provided the necessary rallying-point for the stability of other currencies and that the forces making for wider stability have been greatly strengthened by the recovery of world prices, but in the dictatorship countries the developments which have been taking place and which are steadily acquiring momentum are fundamentally opposed to the ideal of stability based on co-operation. Economic isolation has become their aim, and in a country that is economically isolated the idea of currency and exchange stability cannot have the meaning which it carries in a country working in an international economic system, buying and selling abroad and conducting capital transactions with other countries. Already their exchange markets are wholly controlled, and there is an increasing intervention of the State in industrial, commercial and financial activities. One of the results of this has been the complete disassociation of the external and internal values of the currencies concerned.

Bradford and District Incorporated Accountants.

BIENNIAL DINNER.

The Biennial Dinner of the Incorporated Accountants' Bradford and District Society was held on October 22nd at the Midland Hotel, Bradford. The President, Mr. GEORGE R. LAWSON, B.Com., presided over a large attendance of members, their ladies and friends. Amongst those present were the Lord Mayor of Bradford (Alderman G. R. Carter) and the Lady Mayoress; the Mayor of Halifax (Councillor Crossley Hodgson, J.P.); the Mayor of Keighley (Councillor Thomas Wardle, J.P.); Mr. Percy Toothill, F.S.A.A., Vice-President of the Society of Incorporated Accountants and Auditors, and Mrs. Toothill; Mr. John H. Bates, J.P., President of Bradford Chamber of Commerce; His Honour Judge Frankland (Bradford County Court); Dr. F. J. O. Coddington, LL.D., Stipendiary Magistrate for Bradford; Sir Leonard J. Coates, President of the Leeds, Bradford and District Society of Chartered Accountants; Mr. Herbert Hey, J.P., President, Bradford and District Centre of the Institute of Bankers; Mr. W. C. Bottomley, President, Bradford Insurance Institute; Mr. A. Whitley Vint, M.S., LL.B., President, Bradford Incorporated Law Society; Mr. C. Percy Barrowcliff, President, Incorporated Accountants' Newcastle-upon-Tyne and District Society; Mr. H. Richardson, M.Sc., Principal, Bradford Technical College; Mr. C. W. Allan, Vice-President, Bradford and District Chartered Accountants' Students' Association; Mr. W. F. Cresswell, Official Receiver in Bankruptcy, Bradford; Mr. J. R. Bonner, Inspector of Taxes, Bradford; Mr. J. P. Biggin, Chairman, West Yorkshire Branch of the Chartered Institute of Secretaries; Mr. J. E. Spoor, Hon. Secretary, Incorporated Accountants' Newcastle-upon-Tyne District Society; Mr. A. Schofield, President, Incorporated Accountants' District Society of Yorkshire, and Mrs. Schofield; Mr. H. Cunningham, President, Incorporated Accountants' District Society of Sheffield, and Mrs. Cunningham; Mr. A. Macdonald, Hon. Secretary, Incorporated Accountants' Hull and District Society; Mr. E. Hughes, President, Bradford and District Auctioneers' and Estate Agents' Association; and the following officers of the Bradford Incorporated Accountants' Society: Mr. Tom Hudson, Hon. Treasurer, with Mrs. Hudson; Mr. Maurice W. Hustwick, Hon. Secretary, with Mrs. Hustwick; also Mr. T. M. Rhodes, late Hon. Secretary.

The loyal toast having been duly honoured,

HIS HONOUR JUDGE FRANKLAND, proposing "The City of Bradford and District," said as a Leeds man he regarded Bradford with a somewhat detached view but an ardent affection. Bradford's official Coat-of-Arms bore the Latin motto "Labor Omnia Vincit"—Labour Overcomes All. "That," said His Honour, "is quite untrue. If you take that motto literally you deny all genius and all spiritualisation." Their Coat-of-Arms had a crest which included what was officially understood to be a fleece of wool—a thing from which all life and spirit had gone. But there was a very much brighter side. Bradford did not consist of its mills and warehouses and offices; man did not live by wool alone. The citizens of Bradford had realised that. There were, he supposed, very few places which in the years of the post-war slump suffered more than Bradford. Some of them looked back on the golden days immediately after the war when Bradford's streets were said to be paved with gold, but the boom passed and the great slump came. There followed a

certain number of hopes and inevitable disappointments, but in Bradford there was never despair—the situation was always met with courage and determination. (Applause.)

THE LORD MAYOR OF BRADFORD (Alderman G. R. Carter) thanked Judge Frankland for the humour and kindness of his remarks. In regard to His Honour's comments on Bradford's Coat-of-Arms and the motto "Labor Omnia Vincit," might it not be considered that there was labour also in mental and spiritual effort? He claimed that in Bradford, generally speaking, they put a higher interpretation on their city motto than that suggested by Judge Frankland, though they all recognised that Bradford was proud to have the services of such men as His Honour—even if he was born in Leeds. (Laughter.) Bradford's industry, and therefore the business community as a whole, had had its up and downs, and he had to agree with Judge Frankland that it was largely through the character of its business men and its working men that the city had been able from time to time to overcome very great difficulties. The relationships between business men and their workers, and business men and their professional friends like the accountants, were so good that they might reasonably have every confidence in the future. (Applause.)

MR. JOHN H. BATES, J.P., President of the Bradford Chamber of Commerce, responding to the toast on behalf of industry, said there seemed to be few gatherings of that character among professional men in Bradford which felt the assembly complete without the presence of the President of the Chamber of Commerce. He would like to say how much the Chamber appreciated the hospitality accorded to its representative. He had, personally, many valued friends among accountants. The profession undoubtedly had had a great share in bringing to Bradford such prosperity as it was the city's good fortune to enjoy. Members of the profession were the intimate associates of business men and in the inner circle of the councils of their clients. They were looked to by business for practical advice and skilled guidance and by the Revenue and other authorities to see to it that all parties got a square deal, and therefore they were a profession holding a very important and valuable function in the communal life. Referring to Bradford's wonderful industrial development, he said Bradford's first mill was built so comparatively recently as 1798. The city had done more than develop an industry in wool and associated products. Bradford was the seat of the first English Temperance Society and gave birth to the great political Labour Party movement, which to-day helped so much to influence the legislation not only of this country but of the nations as a whole. Bradford had to its credit not only trade, commerce and industry; it had its culture in art, music and literature. The city produced its Delius, its Humbert Wolfe, Rothenstein, Priestley, Cutcliffe Hyne, Dyson, and many men eminent in other spheres. Its buyers and salesmen were known the world over, many of them with a knowledge of several languages, though it was good to know that many of them still remembered some of the dialect of their forefathers. Bradford and district had produced its men of Parliament and of public life, and the charity and generosity of its citizens was one of its outstanding virtues. Referring to trade and commerce, he said that world markets and overseas developments were of vital importance, and the export trade was needed more than ever. As a country we were not keeping pace with the expansion of world trade, which last year was up by 26 per cent. whilst our share showed only an expansion of 18 per cent. United Kingdom trade was now facing competition from

industries subsidised and controlled by European Governments, and there were indications that similar conditions were beginning to operate in Eastern countries. It was useless to hope that this uneconomic system would break down and it was our duty to see how it could be counteracted. The Department of Overseas Trade was paying particular attention to those problems. (Cheers.)

Dr. F. J. O. CODDINGTON, LL.D., Stipendiary Magistrate for Bradford, proposing the toast of "The Society of Incorporated Accountants and Auditors," recalled that the last occasion on which this toast was honoured by the Bradford District Society was when they were celebrating the 50 years' Jubilee of the Parent Society and the Silver Jubilee of the District Society, and on a notable occasion such as that it was very fitting that the toast should be proposed by Sir Enoch Hill, President of the Halifax Building Society, and a man who perhaps knew accountants better than most people—which, of course, only went to show their courage in taking the risk of hearing what a man with such a knowledge might say. (Laughter.) Now they were gathered together to honour the same toast but not in the same circumstances, and he supposed that was why on this occasion they put the toast in the hands of one who knew so little of accountants as himself. On the last occasion they assembled for a great celebration. This time they gathered merely to enjoy themselves, which, he presumed, explained their choice of a proposer who knew so little of his subject as himself. Their courteous and very careful Secretary, evidently knowing his deficient knowledge of accountants, had kindly provided him with a good deal of literature. From it he found that as an organisation they had been growing and growing. After congratulating the Bradford District Society and the students concerned on their examination successes, Dr. Coddington went on to make appreciative remarks—in humorous vein—on the lecture programme arranged last session. The lecture on Public Speaking was one, he felt sure, from which he might reasonably have derived some useful benefit himself. (Laughter.) The title of another lecture—"Things Not Found in the Text Book"—was one which fascinated him. "Most of us," he said, "will agree that most things worth while are those we discover after the text books have been read." Nobody had a greater admiration than himself for accountants as the doctors for curing the muddles of the business community or as the watch-dogs and protectors of individuals in regard to matters of income tax. Concluding in more serious vein, Dr. Coddington said everybody should appreciate the value of association with their fellow members of the profession through the help of such Societies as theirs, in which they were able to learn from each other and enforce on each other that high standard of ethics which a great profession demanded. (Applause.)

Mr. PERCY TOOTHILL, F.S.A.A., Vice-President of the Society of Incorporated Accountants and Auditors, responding to the toast of the Society, said he wished at the outset to express the regret of the President (Mr. Walter Holman) at being unable to attend owing to his presence in New York at the Jubilee celebrations of the American Institute of Accountants. "I believe" (said Mr. Toothill) "that as a matter of fact their dinner is being held this very evening, so we may therefore hope that Mr. Holman is with us in spirit." Mr. Toothill feelingly recalled the fact that the last time he was in Bradford on behalf of the Society it had been his privilege to hand a presentation on the District Society's behalf to the late Mr. Herbert Reynolds, their esteemed Hon. Secretary, whose untimely death was a severe loss to the Society and, indeed, to the profession in general. It was good to find the District Society was progressing so well,

and Mr. Toothill expressed good wishes for its continued success. Whenever he thought of Bradford he recalled the great work done for accountancy by the late Mr. William Claridge, and it had been a pleasure to note the presence that evening of Mrs. Claridge and also of Miss Claridge, the first lady Incorporated Accountant in England. Turning to the toast, Mr. Toothill expressed the Society's thanks to Dr. Coddington for the kindly manner in which he had proposed it. Mr. Toothill added that it was a great pleasure to meet Dr. Coddington again, recalling the days when the present Stipendiary Magistrate of Bradford was a very popular personality in Sheffield. Sheffield's loss was Bradford's gain. Mr. Toothill said it was not his intention that evening to deal with the matter of the general policy of the Society. That, he considered, was a matter more properly to be dealt with by the President for the time being, who was in close touch with all the activities of the Society both at home and abroad. He would, however, like to say a few words about what he considered a very important side of the Society's work—the Benevolent Fund, which he felt was not receiving quite the degree of support to which it was entitled—a fact which, he hoped, was due more to misunderstanding by the members than to any wilful neglect on their part. The Benevolent Fund, as they probably knew, was formed in 1892 and was for the assistance of necessitous members and for the relief of widows and dependants of deceased members. The misunderstanding to some extent, he felt sure, had arisen owing to a rule of the Fund whereby the trustees were only permitted to disburse in any one year a sum not exceeding the income derived from annual subscriptions and dividends from investments of the previous year. "To make the matter clear assume that the income from annual subscriptions and dividends is £1,000 and from legacies, life subscriptions and donations £200—the £1,000 would be available for distribution in the following year and the £200 would go to capital. Unfortunately, however, previous to this year the whole amount was shown in the revenue account and naturally the account showed a substantial surplus, and members were under the impression that, as there was a substantial surplus, subscriptions were not really required. When I state that we have over 7,000 members and only about 1,100 annual subscribers to the Benevolent Fund, you will see that this amounts to just over 16 per cent., or about one-sixth of the membership. The grants made last year were under £1,300, and amounted to an average grant of only £26." The annual subscription asked for was 10s. 6d., or a life subscription of £10 10s. He was glad to say the number of cases was not great, but the trustees were hard put to at times to meet some of the really necessitous applications. He did not wish them to think he was taking the opportunity of making a begging appeal, but hoped they would not consider these few words of his—as Vice-President of the Society and a trustee of the Benevolent Fund—to be out of place. One other matter he wished to refer to was the Oxford Course which was being arranged for next July. On the two previous occasions the Course had been held at Cambridge, and as one who had attended he could assure the younger practitioners that all who could spare the time would find it well spent. The course was not a strenuous one. It occupied three or four days. A couple of short papers were given each morning and the members then broke up into groups of fifteen to twenty and adjourned to separate classrooms where the papers were fully discussed. The educational value thus derived was of great benefit. The members were able to reside in the College, to enjoy its privileges and get an insight into the life of a College at one of the great Universities. (Applause.)

The CHAIRMAN, proposing "Our Guests," said the members of the District Society regarded it as a privilege to be able to entertain the visitors and were grateful to them for lending their presence to make the function a success. They were proud to have the presence of the Civic heads of Bradford, Halifax and Keighley representing the main areas covered by the District Society's membership. As accountants, as well as citizens, the members of the Society appreciated the valuable services rendered by their guests to the communities they represented. They all regretted that Mr. Holman, President of the Parent Society, was not able to be present, but they wished him well in his American visit and they were glad to welcome in his stead Mr. Percy Toothill, the Vice-President and a fellow Yorkshireman. In offering a welcome to Mr. Toothill they would like to assure him of their loyal support when the time came for him to enter the Society's Presidential chair. They were very glad to welcome also that evening the representative of the "sister" district Society in Sir Leonard Coates, President of the Leeds, Bradford and District Society of Chartered Accountants, and were mindful of the happy and cordial relationships existing between the two sections of the profession. They were delighted also to welcome representatives of the various other professions with whose members accountants came into daily contact, as well as representatives of kindred societies of accountants, and he thanked them for having travelled considerable distances to be present. They welcomed and appreciated the helpfulness of the professional and daily Press; and lastly, but by no means least important, they welcomed—though he would hardly dare to say, with open arms—(laughter)—the ladies, with the grace and charm they lent to the proceedings. (Applause.)

Sir LEONARD J. COATES, President of Leeds and Bradford District Society of Chartered Accountants, in response said, as he listened to the eloquent speeches of the evening he began to wonder more and more whether he really ought to be present as the representative of a friendly but nevertheless, might he admit, something in the nature of a rival branch of the profession. Being of the same profession as the hosts of the evening he could not profess, like Dr. Coddington, to know nothing of accountants or of the Incorporated Society. He would, indeed, like to congratulate the Incorporated Accountants on the progress of their Society. In the first place they seemed to have anticipated the greatest anticipator of the age, Mr. H. G. Wells. Quite recently Mr. Wells had declared that all of us who were in middle years were rusty and should be brushed up again. "Your Society (said Sir Leonard) had already thought of that; and I rather gather that what went on in Cambridge, and is now probably to occur at Oxford, was so well organised that it might well be described as a 'Cambridge Group Movement'." (Laughter.) Secondly, there was the part it had played in trying to make its contribution to the formation of opinion on public affairs. Replying to the toast on behalf of the ladies, Sir Leonard concluded by expressing appreciation of the hospitality accorded during the evening, and a conviction that he might not be far wrong in suggesting on behalf of the ladies that this very happy function should be not biennial but annual. (Applause.)

Mr. C. PERCY BARROWCLIFF, President of the Incorporated Accountants' Society of Newcastle-upon-Tyne, proposing the final toast—that of "Our President"—said, as an old cricket captain of twenty-five years' standing, he was quite accustomed to "going in last" and equally accustomed to going in with an expectation of early dismissal. (Laughter.) Therefore he felt himself in no

unusual place that evening, and he promised that he would not remain long at the wicket. He felt words were hardly needed to induce all present to drink a hearty toast to their esteemed Chairman, Mr. Lawson, and he would content himself by saying that he, as a visitor from another Society, considered it a great privilege to have the honour of proposing that particular toast. (Applause.)

Mr. LAWSON, responding, said he felt that was a most appropriate opportunity to express his own personal thanks and the thanks of his colleagues of the Bradford and District Society to their newly-appointed Hon. Secretary, Mr. Maurice Hustwick, for the enthusiastic and zealous way in which he had undertaken the duties, an example of which they saw in the excellent arrangements for that evening's gathering. He would also like to take the opportunity of expressing the Society's thanks to their late Hon. Secretary, Mr. Tom Rhodes, who very generously put his experience at the service of his successor when required. (Applause.) "I would like also (concluded Mr. Lawson) to offer my personal thanks to the members of our Committee and the members of our District Society in general for their kindly support to myself in my duties as President." (Applause.)

ACCOUNTANT'S CHARGES UNDER DEED OF ASSIGNMENT.

Questions as to the professional charges made by an accountant were raised before Mr. Justice Clauson in the Chancery Division on an application by James Philip Edgar, Victor Antony Askew and Mrs. Margaret Mitchell Askew, plaintiffs in an action against Benny Davis, Chartered Accountant, and Frederick Charles Russia Sneath, a solicitor.

His Lordship conducted an enquiry to ascertain the amount payable to Mr. Benny Davis and Mr. Sneath in respect of their professional services under a deed of assignment of which they were trustees. No question was raised as to the remuneration of Mr. Sneath. Mr. H. Christie, K.C., and Mr. J. G. Strangman appeared for the applicants and Mr. H. Hart for Mr. Davis.

Plaintiffs were partners in the business of Askew Young, art advertisers and consultants, which got into financial difficulties. It was assigned to the defendant trustees to enable it to be placed on a solvent basis. Subsequently the creditors were paid in full and a resolution was passed by the committee of inspection voting £650 to the trustees in respect of their remuneration for the fifteen months they had been carrying on the business.

Mr. Christie contended that the amount payable to Mr. Davis was, in the circumstances of the case, excessive.

Mr. Hart argued that the remuneration was a reasonable one.

Mr. Justice Clauson said that it was impossible to apply any recognised scale of charges to the case. He had evidence by an eminent Chartered Accountant on behalf of the trustees who expressed the view that, on the time sheets, the charges were reasonable. On the other hand he had the evidence of two other accountants, one of whom was the auditor of the company now carrying on the business, that the figure payable should be about £360.

His Lordship said he must confess that some of the charges made by Mr. Davis appeared to be very heavy and he was satisfied he must apply some discount to the sum of £650. Some of the charges Mr. Davis sought to justify seemed to him startling. His Lordship had to consider what was a reasonable sum in the case of an ordinary commercial undertaking. Doing the best he could, his Lordship said he thought he ought to substitute

for the sum of £650 the figure of £433 10s. No criticism was made of the £66 charged by Mr. Sneath, the solicitor trustee. His Lordship thought that a reasonable figure for the accountant's charges would be 350 guineas. Adding the £66 to this, he arrived at the sum of £433 10s. which would be substituted for the £650.

His Lordship said he was not prepared to hold that the claim to the £650 was dishonest, although it was far higher than was justified. It was impossible to say it was a monstrous or preposterous claim. Each party must pay their own costs of the enquiry. By consent there would be a stay of proceedings in the action, neither party having any claim against the other for costs.

Defendants undertook within seven days to pay over to plaintiffs any balance due to them on the footing of the declaration his Lordship had made.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following promotions in and additions to the membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

BAXTER, CHARLES FREDERICK (Hodge & Baxter), National Provincial Chambers, High Street, Kettering, Practising Accountant.

CRAWFORD, STEPHEN LEONARD TAPLIN (Ferguson-Davie & Co.), 83, Cannon Street, London, E.C.4, Practising Accountant.

GOODE, DOUGLAS FRANK (Barton, Mayhew & Co.), Alderman's House, Bishopsgate, London, E.C.2, Practising Accountant.

GRIFFITH, SAMUEL VAUGHAN (John Collier & Co.), 4, Chapel Walks, Manchester, Practising Accountant.

HEATON, WALTER ALLAN (Bottomley & Smith), Halifax Permanent Chambers, Cavendish Street, Keighley, Practising Accountant.

LEGG, MARJORIE MARY (Walter J. Smith & Son), St. Bartholomew Chambers, 61, West Smithfield, London, E.C.1, Practising Accountant.

SMITH, ALBERT EDWARD, Regent Chambers, Hall Cross, Doncaster, Practising Accountant.

STONE, JAMES, Treasurer to the Municipal Commissioners, Singapore, Straits Settlements.

WARNES, WALTER SCOTT (W. H. & C. F. Warnes), 6, John Dalton Street, Manchester, Practising Accountant.

WILSON, SIDNEY (Bottomley & Smith), Halifax Permanent Chambers, Cavendish Street, Keighley, Practising Accountant.

ASSOCIATES.

CAWS, RAYMOND EDRIC GREENHAM, with Richard Caws, 2, Swallow Place, Oxford Circus, London, W.1.

CHURCHILL, HERBERT RONALD, with Chipchase, Wood & Jacobs, 74, Newman Street, London, W.1.

CLAYTON, WILLIAM EDWIN, with Morgan, Crumpton, Cappleman & Co., Paragon House, Paragon Street, Hull.

DICKINSON, GEORGE BROW, with G. A. Windsor, 8, East Parade, Leeds.

DODD, CYRIL ERNEST, formerly with Alfred Shankland & Son, 18, Windsor Place, Cardiff.

DUFTON, BENJAMIN, Borough Treasurer's Office, Town Hall, Morley.

DYKE, PERCY JOHN, with Mundy, Brewer & Johnson, 3, Wood Street, Queen Square, Bath.

HIND, GEORGE FREDERICK, Finance Department, County Hall, Newcastle-upon-Tyne.

JONES, WILLIAM SIDNEY, with Deloitte, Plender, Griffiths & Co., 5, London Wall Buildings, Finsbury Circus, London, E.C.2.

KOCHANEK, CECIL TEOPHILE, with Wakeling, Brousson & Co., 8, Serjeant's Inn, Temple, London, E.C.4.

LEE, ALBERT GILLEN, with Hilton, Sharp & Clarke, 4, Pavilion Buildings, Brighton.

LEOPARD, VICTOR GARNET WICKSTEED, with White & Greaney, 172, Buckingham Palace Road, London, S.W.1.

LOVELL, ARTHUR FREDERICK WILLIAM, The Air Ministry, Adastral House, Kingsway, London, W.C.2.

MOSS, KENNETH VIVIAN, with L. F. Elverstone, Temple Chambers, Coalville, near Leicester.

NADIN, NEVILLE RADFORD, with Nutt, Horne & Co., St. James's Chambers, St. James's Street, Derby.

POLANSKY, SOLOMON, with Joel Auerbach, Old Trinity House, Water Lane, Great Tower Street, London, E.C.3.

PROCTOR, KENNETH PAUL, with Croudson & Co., 1, Oxford Place, Leeds.

REVELL, JOHN, formerly with R. H. Bridgwater & Co., 3, New Street, Birmingham.

ROBBINS, ANTONY BARON, formerly with Harper-Smith & Moore, Norwich.

SIMPSON, ROBERT BAZETH BLYTH, with Edward Bicker & Son, Hinton Buildings, Hinton Road, Bourne-mouth.

SMITH, RALPH LISTER, Norwich Benefit Building Society, 34, Prince of Wales Road, Norwich.

STEELE, BRIAN WILFRID, formerly with John James & Co., 4, Walbrook, London, E.C.4.

TELFER, ARCHIBALD FRANCIS XAVIER, with Joseph W. Shepherd, 78, King Street, Manchester.

THEI, MAURICE, formerly with Philip E. Farr, Rose & Co., London, E.C.2.

WESTCOTT, GWYN, with A. S. John, Court Chambers, Pontypridd.

WILDY, CYRIL WILLIAM, Bilbao House, 36, New Broad Street, London, E.C.2, Practising Accountant.

WOOD, DAVID EDGAR, with A. & E. Law & Co., Kings-court, Bridge Street, Walsall.

District Societies of Incorporated Accountants.

LIVERPOOL.

On November 15th the Students' Section of the Liverpool Society held a successful dance at the India Buildings Hall, preceded by a dinner at the Constitutional Club. The President of the District Society (Mr. T. T. Plender) presided, accompanied by his daughter (Miss Plender), and a large number of members and their guests were present. The M.C. was Mr. L. E. Collins (Secretary of the Students' Section) and the stewards were Mr. A. G. T. Mason, Mr. J. W. Paddock and Mr. J. E. Smethurst.

SOUTH WALES & MONMOUTHSHIRE.

CARDIFF STUDENTS' SECTION.

An exceptionally well attended meeting was held at Cardiff on November 18th, presided over by Mr. Ivor Davies, A.S.A.A. Mr. J. Wallace Williams, F.S.A.A. gave a practical talk on Insolvency. He stated that insolvency was divided under four headings: Deeds of Arrangement, Bankruptcy, Liquidation (voluntary or compulsory) and Receiverships. He took for the purpose of his talk the administration of an insolvent estate under the Deeds of Arrangement Act, 1914. The address was admirably illustrated with specimen forms, copies of which were circulated to each member present.

A very successful meeting concluded with a vote of thanks proposed by Mr. D. R. Carston (vice-chairman) and seconded by Mr. B. R. Willis. In responding, Mr. Williams kindly offered to deliver a similar address on Voluntary Liquidation at some later date, a promise which was cordially accepted.

FORTHCOMING EVENTS.

1937

Dec. 1st.

Newcastle-upon-Tyne District Society. At Newcastle-upon-Tyne at 6.30 p.m. Lecture by Mr. A. Duxbury on "The Construction of Speeches."

Manchester District Society. Students' Meeting at Manchester at 6.30 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "The Accountancy Sections of the Companies Acts."

Dec. 2nd.

Bradford and District Society. At Bradford at 7.30 p.m. Lecture by Mr. W. W. Bigg, F.C.A., F.S.A.A., on "Cost Accounts."

Nottingham, Derby and Lincoln District Society. Annual Dinner at 6.45 p.m. at Victoria Station Hotel.

South of England District Society. At Southampton at 7.15 p.m. Lecture by Mr. A. Lester Boddington, F.S.S., on "Statistics and the Practising Accountant."

Dec. 3rd.

Birmingham District Society. At Wolverhampton at 6.30 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Bankruptcy Law and Deeds of Arrangement."

South of England District Society. At Bournemouth at 7.15 p.m. Lecture by Mr. A. Lester Boddington, F.S.S., on "Statistics and the Practising Accountant."

Yorkshire District Society. Annual Dinner at New Queen's Hotel, Leeds.

Sheffield District Society. At Sheffield at 6.30 p.m. Lecture by Mr. W. W. Bigg, F.C.A., F.S.A.A., on "Cost Accounts."

North Staffordshire District Society. At Hanley at 6.30 p.m. Lecture by Mr. W. Strachan, F.S.A.A., on "Developments in Accountancy Training and Practice."

Dec. 4th.

South Wales and Monmouthshire District Society (Cardiff Students' Section). At Cardiff (morning). Discussion by Students: "Errors and Mistakes Paper."

Dec. 6th.

Leicester and District Society. At Northampton at 6 p.m. Lecture by Mr. D. H. Jelley, F.S.A.A., on "Building Societies."

West of England District Society. At Bristol at 6 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Arbitration and Awards."

Liverpool District Society. At Liverpool at 6.15 p.m. Lecture by Mr. C. A. Sales, LL.B., F.S.A.A., on "The Valuation of Goodwill."

Hull District Society. At 6 p.m. Visit to Messrs. Reckitt & Sons, Ltd., Dansom Lane, Hull, where the Accounting Machines will be seen in operation. Explanation of machines by Mr. Gwilyn Beynon, A.C.I.S.

Dec. 7th.

Cumberland and Westmorland District Society. At Carlisle at 7.30 p.m. Lecture by Mr. W. J. Back, A.S.A.A., on "Public Issues of Capital."

North Lancashire District Society. At Blackpool at 7.30 p.m. Lecture by Mr. C. A. Sales, LL.B., F.S.A.A., on "Estate Duty."

Manchester District Society. Students' Meeting. At Manchester at 6.45 p.m. Joint Meeting with Students' Section of the Institute

of Municipal Treasurers. Lecture by Mr. J. Wood, A.C.A., on "Income Tax."

Devon and Cornwall District Society. At Plymouth at 6.30 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Bankruptcy Law and Deeds of Arrangement."

Dec. 8th.

Leicester and District Society. At Leicester at 6 p.m. Lecture by Mr. W. E. Edwards, A.S.A.A., on "Preparation of Monthly Accounts."

Swansea and South West Wales District Society. At Swansea at 6.30 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Executorship Accounts."

South Wales and Monmouthshire District Society. Cardiff Students' Annual Dance.

Dec. 9th.

Liverpool District Society. At Chester at 6.45 p.m. Lecture by Mr. E. G. Hardman, F.C.I.S., on "Procedure in Company Formations."

Bradford and District Society. At Keighley at 7.30 p.m. Lecture by Mr. G. R. Lawson, B.Com., F.S.A.A., on "The Fallacy of Social Credit."

South Wales and Monmouthshire District Society. At Newport at 7.30 p.m. Lecture by Mr. E. Westby-Nunn, B.A., LL.B., on "Bankruptcy Law and Deeds of Arrangement."

Sheffield District Society. At Sheffield at 6.30 p.m. Lecture by Sir Norman Angell on "The International Anarchy."

Nottingham District Society. At Nottingham at 6 p.m. Lecture by Mr. A. Radford, B.Sc., on "Statistics."

Dec. 13th.

Newcastle-upon-Tyne District Society. At Middlesbrough at 7 p.m. Lecture by Mr. T. Fairbairn Short, A.C.A., on "Sur-tax in Relation to the Undistributed Profits of Limited Companies."

Dec. 14th.

Liverpool District Society. At Liverpool at 6.15 p.m. Lecture by Mr. W. W. Thurgood, of the Chief Inspector's Department, Somerset House, on "A Fiscal Retrospect" followed by Members' Dinner at Constitutional Club.

Dec. 15th.

Dublin Students' Society. Annual Dance.

Dec. 16th.

London and District Society. At 1 p.m. Luncheon at the Hotel Victoria to Mr. Walter Holman, F.S.A.A., President of the Society of Incorporated Accountants.

Hull District Society. At 8 p.m. Students' Annual Dance.

Dec. 17th.

East Anglia District Society. At Norwich, at 7.30 p.m. Lecture by Mr. W. H. Grainger, F.S.A.A., on "The Liability of Auditors."

South of England District Society. At Bournemouth at 7.15 p.m. Discussion on "Registration and Control of the Accountancy Profession."

Swansea and South-West Wales (Students' Section). At Swansea at 6.30 p.m. "Proforma Meeting of Creditors Relating to the Affairs of a Single Debtor."

South Wales and Monmouthshire District Society (Newport Students' Section). At Newport. Lecture by Mr. A. C. Fisher, A.C.I.S., on "Internal Check and Mechanical Accounting."

THE BANKRUPTCY REPORT.

The following are extracts from the Bankruptcy Report of the Board of Trade for the year 1936:—

FAILURES DURING 1936 OF SPECIAL INTEREST OWING TO THE MAGNITUDE OF THE LIABILITIES.

There were in all three cases under the Bankruptcy Acts during the year in each of which the liabilities exceeded £40,000. In two of these cases the liabilities fell between £40,000 and £50,000 and in one case the liabilities were over £130,000. The aggregate liabilities in these large cases, viz., £229,964, were about 1/21st of the estimated liabilities under the whole of the Receiving Orders for the year as compared with £1,056,875 in 1935, in which year the proportion was about one-fifth.

In two cases of Deeds of Arrangement registered during the year the estimated liabilities exceeded £40,000: the total liabilities in these cases amounting to £80,394 or about 1/34th of the total liabilities in the net number of Deeds registered.

TRUSTEESHIPS HELD BY OFFICIAL RECEIVERS.

Official Receivers, salaried and fee paid, retained for Summary Administration 2,593 cases and in default of the appointment of a non-official Trustee undertook the administration of an additional 81 non-summary cases.

TRUSTEESHIPS HELD BY NON-OFFICIAL TRUSTEES.

The total number of cases in which non-official Trustees were appointed to administer estates under Adjudication Orders and Administration Orders (sect. 130) was 551, of which 55 were summary cases.

In six cases objections to the appointment of Trustees elected by the creditors had to be considered. In two of these cases the appointments were certified. In four cases the Trustee withdrew upon being informed of the objection.

Particulars of removal of Trustees for the last five years are as under:—

| | No. of Cases. | No. of separate Trustees. |
|---------------|---------------|---------------------------|
| 1932 | 9 | 9 |
| 1933 | 11 | 7 |
| 1934 | 20 | 9 |
| 1935 | 6 | 6 |
| 1936 | 4 | 4 |
| Total | 50 | 35 |

It was found necessary in two cases to apply to the Guarantee Societies to make good defaults by Trustees, the total amount recovered being £64 0s. 10d.

EMPLOYMENT OF SOLICITORS BY OFFICIAL RECEIVERS.

Three hundred and fifty-nine applications by Official Receivers for authority to employ Solicitors were sanctioned by the Department during the year, the total estimated cost of the proceedings for which they were employed being £5,120. Compared with the corresponding particulars for 1935 these figures show a decrease of 100 applications and a decrease of £585 in the estimated amount of costs. These employments relate chiefly to litigation or other proceedings beyond the scope of the Official Receivers' personal functions, and the costs represent the total expenditure authorised by the Department (apart from any adverse costs where proceedings are unsuccessful), but this total is not actually expended. In some cases the mere threat of proceedings is sufficient; in others compromises are effected; and in others costs are obtained from the persons against

whom proceedings are taken. The total law costs charged to estates by Official Receivers in the cases closed during 1936, in respect of proceedings taken by them after the Receiving Order, amounted to £3,045 or an average of 18s. 3d. per case on all cases administered by Official Receivers.

PROSECUTIONS, 1936.

In addition to the prosecutions under the Bankruptcy Act, particulars of which are given in Table IX, Annex I, and in the notes thereon at page 13, ten bankrupts were prosecuted for other offences reported by Official Receivers following on their investigations of the bankrupts' conduct and affairs. Charges of fraudulent conversion were brought against two Solicitors and a Stock and Share Dealer resulting in convictions of three years' penal servitude, fifteen months' hard labour and six months in the second division respectively. One Insurance Official charged with forgery, obtaining money by false pretences and fraudulent conversion, was sentenced to eighteen months' hard labour. A Stock and Share Dealer, an Insurance Official and an Estate Agent received sentences of three years' penal servitude, nine months in the second division and twelve months' imprisonment respectively, for obtaining money by false pretences, and for a similar offence and fraudulent conversion a Stockbroker was sentenced to six months' imprisonment. A Builder and Contractor charged with larceny of the property of the bankrupt's firm received a sentence of nine months' imprisonment, and an Office Equipment Dealer was acquitted on a charge of obtaining money by false pretences.

ADMINISTRATION ORDERS UNDER SECT. 122 OF THE BANKRUPTCY ACT, 1883.

One thousand and seventeen Administration Orders under sect. 122 of the Bankruptcy Act, 1883, were made during the year 1936, and 1,003 such Orders during the year 1935.

Changes and Remobals.

Mr. N. C. Choudhury, B.Sc., Incorporated Accountant, has commenced public practice at 26c, Creek Row, Calcutta.

Mr. Louis Korklin, Incorporated Accountant, has removed his offices to Friary Chambers, Whitefriargate, Hull.

Mr. Arthur Tankard, Incorporated Accountant, has commenced public practice at Bull Green House, Halifax.

Messrs. Saphin & Neal, Incorporated Accountants, announce a change of address to Abbey House, Baker Street, London, N.W.1.

Inspector of Foreign and Colonial Dividends.

The Inspector of Foreign and Colonial Dividends intimates that his office at York House, 23, Kingsway, London, W.C.2, has been removed to Clifton House, 83-117, Euston Road, N.W.1. The Inspector's City Branch Office will remain at 19, Old Jewry, London, E.C.2.

Registrar of Companies.

Mr. Percy Martin has been appointed to succeed Mr. W. A. McKears, O.B.E., who will be retiring soon from the position of Controller of Stamps and Registrar of Companies and Business Names.

Incorporated Accountants' London and District Society.

On December 16th, a luncheon will be given to the President of the Society of Incorporated Accountants, Mr. Walter Holman, at Hotel Victoria, Northumberland Avenue, London. Members may invite personal guests. Tickets (5/- each) may be obtained from the Secretary, Mr. A. A. Garrett, at Incorporated Accountants' Hall, and should be applied for not later than December 8th.

Accountants' Christian Union.

The annual meeting of the Accountants' Christian Union was held on Thursday, October 28th, when Mr. F. D. Bacon, President of the Insurance and Shipping Christian Union, delivered an address.

The following officers were elected for the year 1937-1938 :—

President : Mr. F. Harold Sully, F.C.A.

Vice-Presidents : Mr. D. F. Basden, F.C.A., Mr. W. E. Chapman, F.C.A., Mr. H. A. Cox, F.C.A., Mr. H. M. Morris, F.C.A., Mr. E. Luff-Smith, A.S.A.A., Mr. A. Victor Sully, M.C., F.C.A.

Hon. Auditor : Mr. J. G. Messenger, A.C.A.

Hon. Treasurer : Mr. A. B. Keith, F.C.A.

Executive Committee : Mr. K. M. Ball, F.C.A., Capt. G. W. Downes, A.C.A., Mr. C. J. Maples, A.C.A., Mr. W. C. C. Smith, A.S.A.A., Mr. H. B. Stevenson, F.C.A., Mr. H. W. Ballard, A.C.A.

Hon. Secretary : Mr. D. R. Paterson Foot, The Beeches, Camden Park, Tunbridge Wells.

NATIONAL DEFENCE CONTRIBUTION.

A lecture was given in Glasgow on the 24th ult. to the Glasgow Incorporated Accountants' Students' Society, by Mr. Robert P. Burnet, C.A., on the National Defence Contribution. Mr. Robert T. Dunlop, President of the Scottish Branch, presided, and was supported by Mr. W. Davidson Hall, President of the Students' Society, and Mr. James Paterson, Secretary of the Branch. An apology for absence was intimated on behalf of Mr. J. Hawthorne Paterson, Hon. Secretary of the Students' Society, who was absent through illness.

Mr. Dunlop, in introducing the lecturer, said he was pleased to see such a good turn out of young members. He could appreciate their difficulties in studying for the examinations, but lectures, such as were provided by the Council and Students' Society, were of considerable value if taken advantage of by the candidates. The subject of the lecture that evening was likely to cause considerable thought to accountants, and therefore an expression of the views of the lecturer would be helpful to them when they came to deal with the subject either in the examination room or in their office.

Mr. Burnet, at the outset, explained the various provisions of the Finance Act, 1937, which impose the tax, and illustrated the workings of the provisions by examples.

Two expressions used in the Act, "accounting periods" and a "chargeable accounting period," were explained by

Mr. Burnet. An accounting period will normally consist of the twelve months coinciding with the financial year of the concern. Only such portions of "accounting periods" as fall within the period between April 1st, 1937, and March 31st, 1942, are "chargeable accounting periods." Thus, where the year ends on June 30th, 1937, one-quarter of the relative accounts will fall into the chargeable accounting period.

Referring to the computation of the profits for the purposes of the tax, the lecturer explained that the profits are to be computed on the same principles as those on which the profits of a trade or business are computed for the purposes of income tax under Case I of Schedule D, or would be so computed if income tax were chargeable under that Case, subject to certain departures. The lecturer explained that the words "would be so computed if income tax were chargeable under that Case" meant that the profits of husbandry or income of investment companies or property-owning companies were liable to N.D.C. on the amount of their profits, computed on the same principles as the profits of a trading company and not on the amount of the statutory income as computed for income tax purposes.

The lecturer drew particular attention to the differences in the provisions in respect of, on the one hand, the carry forward of losses, and, on the other, accumulated wear and tear. He stated that losses brought forward from previous years must be set off against the profits of the "accounting period," while accumulated wear and tear must be set off against the profits of the "chargeable accounting period." Mr. Burnet pointed out that in consequence where the first chargeable accounting period is not a full twelve months (which applies in every case except where the accounts are made up for twelve months ending March 31st) losses must be set off against the profits of the accounting period whether the whole of the profits are within the period of N.D.C. or not, while accumulated wear and tear is set off against the chargeable profits only.

At the close a number of questions were asked, and were replied to by the lecturer. Mr. Davidson Hall, moving a vote of thanks to the lecturer, referred in appreciative terms to the information elicited by the expression of opinion by the various members who had spoken and by the explanations given by the lecturer.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

November Examinations.

The examinations for Scottish candidates were held in the first week in November in Glasgow, in the Glasgow and West of Scotland College. The examinations were supervised by Mr. James Paterson, Secretary of the Scottish Branch, assisted by Mr. J. Hawthorne Paterson, F.S.A.A. During the course of the examinations the hall was visited by Mr. Robert T. Dunlop, President of the Branch, and Mr. W. Davidson Hall, one of the Vice-Presidents.

Glasgow Students' Society.

A lecture on "Statistics as an Examination Subject" was given on October 27th last, in the Constitutional Club,

Glasgow, by Mr. F. W. Dimmer, M.A., B.Sc. (Lond.), of the Glasgow Tutorial College. Mr. W. Davidson Hall, F.S.A.A., was in the chair. After a brief review of the principal purposes of statistical methods, the lecturer discussed at considerable length the theory of correlation, illustrating his points by means of blackboard examples. At the close of the lecture Mr. Dimmer answered a number of questions by students. In moving a vote of thanks to the lecturer the chairman referred to the educational value of these tutorial lectures.

Business Men's Offence.

Two Glasgow company directors were fined by the Sheriff-substitute at Glasgow on a charge that being directors of a company in Glasgow, a company which was being wound up on a creditor's petition, they made or were privy to the making of false entries in the books of the company. The false entries related to the purchase of goods through one of the other companies of which they were directors. These were not properly entered in the books of the company ordering them. They pleaded guilty to a technical breach of the Companies Act, and were fined £25 each.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g., (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*; All E.R., *All England Reports*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland.

COMPANY LAW.

In re G. Winterbottom.

Landlords also Directors of Company.

Two directors of a company were also the landlords of premises occupied by the company. Rent was 5½ years in arrear. The landlords levied a distress upon the goods of the company, but distress had not been completed when the company passed a resolution for a voluntary winding-up. The liquidator sought to prevent the completion of the distress.

It was held in the circumstances it was inequitable that the landlords should complete their distress. They should be allowed to proceed with the distress only to the extent necessary to meet two years' arrears of the rent due, a figure based upon the sum which might have been allowed to accrue due, by a landlord who was not also a director of the company.

(Ch.; (1937) All E.R. 232.)

EXECUTORSHIP LAW AND TRUSTS.

In re Howarth's Trusts.

Person in Testator's Service at Death of Testator.

Bennett (J.) held that the gift of a legacy to all persons in the testator's service at the death of the testator may

include persons employed in a business carried on by the testator in partnership with others.

(Ch.; (1937) L.J.N., 82.)

INSOLVENCY.

De Choisy v. Hynes.

Non-disclosure by Undischarged Bankrupt.

By sect. 155 of the Bankruptcy Act, 1914, where an undischarged bankrupt either alone or jointly with any other person obtains credit to the extent of £10 or upwards from any person, without informing that person that he is an undischarged bankrupt, he is guilty of a misdemeanour.

Bennett (J.) held that when an undischarged bankrupt enters into a contract for the sale to him of share capital and freehold premises on the terms that the purchase price should be payable in weekly instalments of principal and interest, the contract was unenforceable for non-disclosure.

(Ch.; (1937) L.J.N. 289.)

PENSIONS.

Colgan v. Department of Health for Scotland.

Meanings of "Widow" and "Orphan."

The Widows, Orphans, &c., Pensions Act, 1925, provides for the payment of a widow's pension to the widow of an insured man and of an orphan's pension in respect of each orphan child of an insured person; "orphan" is defined as a child both of whose parents are dead.

An insured man who had been divorced by his wife did not remarry and died, survived by his wife and one child of the marriage.

It was held by the Court of Session that the applicant, not being the wife of the insured at the date of his death, was not entitled to a widow's pension, and that the child not being an orphan within the meaning of the Act, was not entitled to an orphan's pension.

(C.S.; (1937) S.C., 16.)

REVENUE.

Lever v. Inland Revenue Commissioners.

Stamp Duty.

The appellant company in 1919 acquired all the issued ordinary shares of the C Company for a cash consideration. In 1936 it also acquired practically all the issued preference shares in consideration of the allotment of preference shares of the appellant company. It was contended that the transfers effecting the acquisition of the preference shares in 1936 were exempt from stamp duty under the Finance Act, 1927, sect. 55.

It was held that the consideration for the acquisition of the ordinary shares was cash and not the allotment of shares, and it could not be said that the appellant company had increased its capital with a view to the acquisition of 90 per cent. of the share capital of the C Company. The transfers were not entitled to the exemption claimed and attracted the usual *ad valorem* conveyance duty.

(K.B.; (1937) All E.R., 227.)

Commercial Union v. Inland Revenue Commissioners.

Stamp Duty.

The Stamp Act, 1891, sect. 87 (2) provides that a security for the payment of any annuity or periodical payments, by way of repayment, or in satisfaction or discharge of any loan, advance, or payment intended to be so repaid, satisfied, or discharged, is to be charged with the same duty as a similar security for the payment of the sum of money so lent, advanced, or paid.

Lawrence (J.) held that a policy issued on payment of a lump sum securing a number of payments over a fixed period of years is not a sale and purchase of an annuity, but security for the payment of an annuity, and subject to duty accordingly as provided by sect. 87 (2) of the Act of 1891.

(K.B.; (1937) L.J.N., 308.)